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REPORT
OF THE
BANK AWARD COMMISSION
BOMBAY
JULY, 1955

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BANK AWARD COMMISSION,
COUNCIL HALL,
BOMBAY.

Ref. No. BAC.2343/1-55.

25th July 1955.

The Minister for Labour,
Government of India,
New Delhi.

SIR,

In pursuance of Government notification No. LR-100(9)/55 dated the 12th March 1955, I have duly enquired into the issues set out in the Resolution of the Government of India in the Ministry of Labour No. LR-100(56)/54 dated the 17th September 1954. My report containing my findings on the said issues and my recommendations on matters referred to me is forwarded to you herewith.

Yours faithfully,

P. B. GAJENDRAGADKAR,
Chairman.

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FOREWORD

I must confess that I took charge of the work of this Commission as its Chairman on the 7th March 1955 not without hesitation and, indeed, with considerable diffidence. The untimely and unexpected death of the late Shri Justice G. S. Rajadhyaksha had meant for me a personal loss tragic beyond all words. By his long and varied experience in dealing with industrial disputes, by his affable temper and balanced approach late Shri Justice Rajadhyaksha was an ideal Chairman for the present assignment. The knowledge that, by accepting Government invitation to take up this work I was attempting to fill the void left by the departure of the late Shri Justice Rajadhyaksha profoundly disturbed me with many unpleasant feelings, hesitation and diffidence being the most dominant amongst them. I knew I was a stranger to the field which had to be covered by the present enquiry, and I was not at all confident that I would be able to do justice to the complex problem presented by the assignment. However, a request from Government to take up this work appeared to me to be a call of duty which could not be reasonably resisted. That alone is my justification for having taken charge of the work of this Commission as its Chairman.

A judge who takes up such an assignment is never likely to over-rate his competence to discharge his duties in that connection. The decision of industrial disputes in a modern democratic Welfare State does not rest merely on arithmetical considerations, nor even solely on considerations of economics. As the thesis developed by Mrs. Barbara Wootton eloquently indicates, the discovery that the determination of a wage structure in a modern industry involves, to some extent, ethical and social considerations has changed the complexion of industrial adjudication in the present age*. In assessing the relative importance and validity of the cases placed before an Industrial Tribunal by the trade or industry and the employees, a judge must inevitably depend upon the technical advice which may be available to him and must patiently weigh the respective arguments which are urged before him. Usually, he is new to the subject of industrial disputes and must approach his task in the proper scientific spirit of enquiry. He may perhaps be able to claim that, by his experience at the Bar and on the Bench, he has been trained to consider problems presented before him for his decision in a detached and objective manner by weighing carefully the pros and cons urged before him by the parties in support of their respective contentions. It is obvious that the decisions of an Industrial Tribunal must be informed with wisdom and fairness. An attempt must always be made to reach conclusions expeditiously and with a faithful regard, not only to the interests of the contesting parties before the tribunal, but also to those of the public weal. A judge must no doubt be able to respond to what Justice Holmes so aptly described as "the felt necessities of the times." But, nevertheless, his ultimate decision must not be influenced by any bias, even sub-consciously, and it must always rest on a logical and dispassionate consideration of the data placed before him. All I can say

* "The Social Foundations of Wage Policy" Allen & Unwin, 1955.

is that I have tried my best to discharge my duties as the Chairman of the Commission fairly and impartially.

I have been writing in the first person singular so far and the use of the first person singular has been adopted throughout the report; but I must hasten to add that, as Chairman of the Commission, it has been my pleasure and my privilege to work with the whole of the team in a spirit of genuine partnership. A very large volume of information consisting of statistical data was received by the Commission in reply to the questionnaire issued in that behalf. This information was scrutinised, collated and edited for punching cards by members of the staff under the able supervision and active guidance of Shri Gogate, who has worked as the Superintendent of the staff. I know that the whole of the staff was working under pressure and so I think it is my duty to thank them for the whole-hearted co-operation which they gave me throughout the period that they worked with the Commission. A team of research officers consisting of Sarvashri Nadkarni (Officer on Special Duty), Chandavarkar, Mathai and Bose assisted me by preparing notes on individual banks and on several other relevant topics which had to be considered by me in conducting the present enquiry. These officers were given full freedom to approach all the questions in their own respective ways and the notes prepared by them were treated by the Commission as the basis for the discussion of the topics covered by the report. I must express my thanks to these officers for the efficient manner in which they carried out their work. Shri Korke, the Secretary, has been of great assistance to me. He has not only supervised over the working of the staff in a very able manner, but he has also prepared critical notes on the position of all the major banks and has besides taken active part in all the discussions that I held with the Advisers of the Commission. Shri Subramanian, one of the Statistical Advisers, who was present with the Commission on most of the important occasions, gave me the benefit of his large experience in matters which fell within the purview of the Commission. Shri Adyanthaya, the other Statistical Adviser, assisted me on all statistical problems in a very efficient manner. Whenever it became necessary to prepare charts and study them, or to evolve formulae and examine their application to any questions with which the Commission was concerned, Shri Adyanthaya was always ready to help me in an unassuming, but a very able manner. The association of Shri Savkar as the Banking Adviser to the Commission has been a source of considerable strength to the Commission itself. I have naturally attached great importance to the views expressed by Shri Savkar on all relevant problems and I wish to express my appreciation of the assistance which he invariably gave me throughout the period I was working as the Chairman of the Commission. It would indeed be no exaggeration to say that all persons connected with this Commission worked in a spirit of perfect co-operation and so the work of the Commission can be appropriately described as work carried on in partnership. As was inevitable, the approach of all of us to the important and relevant questions was not always the same or uniform. But, on the whole, it can be stated that most of the conclusions recorded in my report received the approval of all the Advisers without any reservation. If there is any merit in the approach adopted in the report, or in the conclusions recorded by me, I would cheerfully share the credit for that.

merit with all my colleagues. If, however, there is any defect in the approach or any infirmity in the conclusions, I must naturally take the whole of the responsibility myself. This Commission is a one-man Commission and in the ultimate analysis it is my duty and my responsibility to adopt a proper approach and to come to valid conclusions.

My thanks are also due to Shri Rama Rau, the Governor of the Reserve Bank of India, who was very helpful to the late Shri Justice Rajadhyaksha and, after him, to me. He generously agreed to loan to the Commission the services of many of the employees in the Reserve Bank and he spared the services of Sarvashri Nadkarni, Chandavarkar and Bose. Besides, he allowed Shri Korke to work as the Secretary of the Commission and permitted Shri Savkar to be associated with the Commission as its Banking Adviser. The work of tabulating and consolidating the material received from banks had to be done on the Power Samas machines of the Reserve Bank. Shri Murti, Deputy Director of the Statistical Division, did his best to co-operate in this matter, and but for his help and the active assistance of the staff that worked under him it would not have been possible for the Commission to get all the material tabulated and consolidated in proper time. That is why I think it is my duty to offer my thanks to Shri Murti and his staff as well. My thanks are also due to Shri D. K. Kunte, the Speaker of the Bombay Legislative Assembly, for having allowed the Commission the use of a substantial portion of the Council Hall at Bombay and of the Council House at Poona at my request.

It is also my pleasant duty to thank banks and their employees for the helpful attitude they adopted during the course of the enquiry. A large number of banks sent their answers to the questionnaire issued to them in spite of the fact that the questionnaire was exhaustive and must have required considerable labour on the part of banks to collect the information required and to send it in tabulated form prescribed therein. At the commencement of the hearings it was apprehended by some of the bankers that an attempt to hear the cases of individual banks in the presence of both the parties might add to the bitterness between them. Fortunately, these apprehensions turned out to be false and the whole of the enquiry was conducted in an atmosphere of cordiality and friendliness. All the representatives of employees put their cases before me with great ability and without over-stating their claims. I think it is a tribute to the reasonableness of both the parties that at no stage of the public hearing of the dispute was I required to intervene in the debate to regulate the arguments or to rule out the use of any unparliamentary expressions. The tone of the debate was throughout maintained at a high level and my thanks are naturally due to all the parties.

I must also express my grateful thanks to my economist friends who, at my request, were good enough to meet me and Adviser Savkar informally and to give us the benefit of their views on some of the points which I discussed with them. Dr. John Mathai, Dr. D. R. Gadgil, Shri Sonalkar, Shri Varde and Shri Godwala kindly agreed to my request to meet me and Shri Savkar and freely discussed with us the points on which I consulted them. I must likewise thank Shri Rama Rau, the Governor of the Reserve

Bank, who at my request discussed with me some of the general points involved in my enquiry and thus gave me an opportunity to understand his point of view.

The present banking dispute has made history in a very unfortunate sense. The career of this dispute has run through a chequered and tortuous course. The story begins with the amendment of the Industrial Disputes Act (XIV of 1947). It was represented to Government by the Reserve Bank of India that it would be in the interest of the banking business of the country if the dispute between banks and their employees was dealt with on a national basis; and presumably with the concurrence of bankers and bankmen Government suitably amended the Industrial Disputes Act, 1947, with a view to setting up an all-India Tribunal to deal with the banking dispute. An all-India Tribunal presided over by Shri Sen then came to be appointed on the 13th June 1949. Unfortunately, one of the Members constituting the Tribunal was absent from the sittings of the Tribunal for some time and that led to all the subsequent troubles. The Act under which the Tribunal had been constituted did not provide for an appeal against the award of the Tribunal. The validity of the award was nevertheless challenged by banks by preferring an appeal to the Supreme Court on the ground that the Tribunal had not been properly constituted during a substantial part of the hearing of the dispute and this challenge was upheld by the majority judgment of the Supreme Court delivered on the 9th April 1951. Four learned Judges of the Supreme Court headed by the late Chief Justice Kania accepted the plea of infirmity raised by bankers and held that the award was wholly invalid, whereas three other learned Judges headed by Shri Justice Fazl Ali delivered a minority judgment expressing their dissent from the majority view in unusually strong terms. The invalidation of the award inevitably led to all the subsequent steps. Three Tribunals came to be appointed. The Chairman and Members of one of these Tribunals resigned owing to objections raised against their competence. Two more Acts came to be passed: the Industrial Disputes (Appellate Tribunal) Act (XLVIII of 1950) and the Industrial Disputes (Amendment and Temporary Provisions) Act (XL of 1951). After the Appellate Tribunal decision was published, Government came out with their modified decision. That led to the appointment of the present Commission and after the report of the Commission is received and considered by Government, Government will come to their final conclusions in the matter. On the publication of these conclusions, the dispute will come to an end. I have no doubt that many banks now rue the day when they scored the technical and legalistic victory over their employees by challenging the validity of the Sen Award before the Supreme Court. It is not surprising that, since the dispute has spread over nearly six years, it has resulted in bitterness in the minds of bankers and frustration in the minds of employees.

As I sign my report, I feel almost tempted to pray that the final conclusions in this matter, which Government may reach after considering my report and recommendations, should bring to an end the tortuous story of the present dispute and establish in the banking business of this country peace and harmony. In the context of to-day, banks and bankmen together owe a duty to the State. Indeed,

in the present hour of glory when the State has embarked upon the adventure of building a socialistic pattern of society in the Union of India, all of us have a duty to perform. Banks and Bankmen can help the process to a large extent if, in partnership with each other, they play their legitimate part in the fulfilment of the Second Five Year Plan. It would, I think, not be unfair to say that in the past banks have worked purely as commercial institutions working primarily for profit. In the context of to-day, however, in their policies and their management banks will have to allow fair and reasonable scope to considerations of social service and the necessity of affording credit facilities to smaller rural areas in the country. I trust, when Government announce their final decision in this matter, they will authoritatively appeal to banks and bankmen to forget the past and look to the future of the banking business with confidence and in a spirit of genuine partnership. The present hour in the progress of our country is of historical importance. In this hour, it seems to me that all of us must hearken to the call of duty. May I conclude this foreword with the eloquent words of William Morris? Says William Morris:—

“Take courage and believe that we of this age, in spite of all its torment and disorder, have been born to a wonderful heritage, fashioned of the work of those who have gone before us; and that the day of the organization of man is dawning. It is not we who can build up the new social order; the past ages have done most of that work for us; but we can clear our eyes to the signs of the times, and we shall then see that the attainment of a good condition of life is being made possible for us, and that it is our business to stretch out our hands to take it.”

CHAPTER I

THE COMMISSION AT WORK—A BRIEF ACCOUNT OF THE PROCEEDINGS.

On the 17th September 1954, the Minister for Labour made an announcement in the Lok Sabha regarding the appointment of a one man Commission to conduct a full enquiry into the bank dispute and to make its recommendations to Government on the basis of its findings. By Government of India Resolution No. LR-100(56)/54 published in Part I—Section 1 of the Extraordinary Gazette of India dated the 17th September 1954, the late Hon'ble Shri Justice G. S. Rajadhyaksha, a judge of the Bombay High Court, was appointed Chairman and sole member of this Commission and the terms of reference to him are stated below.

“(1) To enquire into and ascertain the effects on the emoluments which the employees were in receipt of prior to August 1954,

- (a) of the Appellate Tribunal Decision without modification,
- (b) of the Appellate Tribunal Decision as modified by Government's Order No. S.R.O. 2732, dated the 24th August 1954.

(2) To ascertain

- (a) the additional burden on individual banks that would have been caused by the Appellate Tribunal Decision over the expenses under the frozen Sen Award,
- (b) the extent and amount of relief obtained by them as a result of the modifications made by Government,
- (c) the additional expenditure now to be borne by banks under the modified decision over the expenditure incurred under the frozen Sen Award/that would have been incurred under the Sastry Award.

(3) To scrutinise the information already collected and to collect further information relevant to the consideration of these issues.

(4) To recommend, having regard to the facts ascertained and to the need for ensuring an equitable treatment to bank employees consistent with the capacity to pay of the various classes of banking companies or individual units,

- (a) whether the Appellate Tribunal Decision, as modified, should be continued,
- (b) whether the Appellate Tribunal Decision should be restored and if so, whether fully or in part,
- (c) whether the Appellate Tribunal Decision should be enforced with any other modifications considered necessary.

In considering this, due regard should also be paid to the desirability of avoiding widespread closures of banking companies or their branches, to the necessity to promote development of banking

in the country generally and in rural areas in particular and to any possibilities of effecting economies in the expenses of banking companies.

(5) To consider and recommend what special modifications, if any, are necessary in the Decision in order to encourage the spread of banking facilities in the Class IV areas of Part 'B' States and Part 'C' States other than Delhi, Ajmer and Coorg."

A copy of the abovementioned notification is attached as Appendix I(A) to this report. The late Shri Justice Rajadhyaksha took over charge of the post of the Chairman of the Commission as from the 1st October 1954. The powers of the Commission were later defined in a Government Notification No. LR-100(61)/54 published in Part II—Section 3 of the Extraordinary Gazette of India dated the 18th October 1954 [Appendix I(B)]. During the course of the enquiry, however, the late Shri Justice Rajadhyaksha suddenly took ill and died of heart failure on the 9th February 1955. By Government Resolution No. LR-100(9)/55 published in Part I—Section 1 of the Extraordinary Gazette of India dated the 25th February 1955, I was appointed as the Chairman and the sole member of the Commission to conduct and complete the work of the enquiry [Appendix I(C)]. By a notification No. S.R.O. 597 dated the 12th March 1955 all the provisions of the Commissions of Inquiry Act, 1952 (LX of 1952), including those contained in sub-sections (2), (3), (4) and (5) of section 5 were made applicable to the Commission as reconstituted. I took over charge as from the 7th March 1955.

2. The late Shri Justice Rajadhyaksha after taking over charge of his post set about to appoint the Advisory Body and the Secretariat of the Commission. The services of Shri **Establishment of the Secretariat** D. S. Savkar, Director of Banking Research, Department of Research & Statistics, Reserve Bank of India, Bombay, were lent by the Bank to Government in the capacity of Adviser (Banking) while Shri N. K. Adyanthaya, Director, of Labour Bureau, Simla and Shri S. Subramanian, Joint Director, Central Statistical Organisation, New Delhi, both of the Government of India were appointed Advisers (Statistics). Shri W. T. Korke, Assistant Chief Officer, Department of Banking Operations, Reserve Bank of India, Bombay, was at the same time appointed Secretary of the Commission. As the work entrusted to the Commission was of a specialised nature it was necessary to recruit staff experienced in the work of inspection of banks, collation of statistical data and the scrutiny of bank returns and balance sheets; besides, it was essential that the staff should be quite reliable having regard to the highly confidential nature of the Commission's work of enquiry. Most of the personnel of the Commission was, therefore, drafted from the staff of the Reserve Bank of India.

3. The work commenced with a skeleton staff consisting of three Advisers and the Secretary, as stated above, two Research Officers, a Research Superintendent and a clerical and stenographertypist staff of about 11. Additions to this staff had, however, to be made from time to time when necessity arose until its maximum strength consisted of, besides the Advisers and the Secretary, five Officers (including my Private Secretary), one Superintendent, 24 clerks, four stenographers and two typists with an adequate number of

subordinate staff attached. In the final stages of the Commission's work this staff was reduced according to requirements.

4. The office of the Commission was initially established in the premises of the Council Hall, Bombay on the 19th October 1954; but it had to be shifted to the Central Government Building, Bombay on the 3rd February 1955 as the Winter Session of the State Legislature was to be held in the Council Hall from that month. On the termination of the Session, however, the Commission's office was reshifted to the Council Hall, Bombay on the 15th April 1955. After the hearings of banks and their groups as well as of associations of employees was over the Commission went on tour to Poona in the third week of June 1955 for the purpose of drafting and finalising its report and during this period it occupied a portion of the Council House.

5. On the appointment of the Adviser (Banking) and the Secretary, the Commission commenced its work on the 9th October, 1954. **Commencement of work-questionnaire prepared** when the recruitment of the necessary staff and the preparation of the Commission's questionnaire were simultaneously taken up. The questionnaire to be issued to banks had necessarily to be a very comprehensive one so that the replies received thereto would contain all information relevant to the issues before the Commission. The draft questionnaire when prepared was discussed with the representatives of both banks and employees and their suggestions were taken into consideration while finalising the same. The representatives of bankers had initially opposed the disclosure to the Commission of certain confidential type of information such as the inner reserves of banks but they later agreed to supply it in a sealed cover addressed personally to the Chairman which they stipulated should not be disclosed to the employees. The All India Bank Employees' Association which claims the largest following amongst bank employees, however, did not co-operate with the Commission at this stage. The questionnaire was issued to banks on the 21st October 1954 with a request to return the same duly completed not later than the 15th November 1954. Subsequently, at the request of banks, the period for submission of their replies to the questionnaire was extended upto the 30th November 1954. During this period from time to time additional information was also asked for from banks by issuing to them separate circulars. The form of the questionnaire as duly amended by these circulars is reproduced in Appendix II.

6. The original dispute referred to the Sastry Tribunal applied to 129 banks (Appendix III) out of which only one, i.e. the Union Bank of India, was exempted from the application of the award on account of its having arrived at a settlement with its employees. A cursory examination of the present position of these banks showed that some of them had either gone into liquidation or were struck off the register or were untraceable or had converted themselves into non-banking companies, as there was no point in addressing the questionnaire to such banks except to those which had gone into liquidation, it was decided not to send it to them and in the case of the latter their respective liquidators were addressed. The questionnaire was sent to 14 such banks and to 91 others which were supposed to be

working normally. None of the liquidators of the banks addressed, however, agreed to submit replies to the questionnaire as they pleaded non-availability of the relevant records. It was, therefore, decided to exclude these banks from the scope of the enquiry. Figures of two A class (foreign) banks were also incomplete as one of them, the British Bank of the Middle East, had commenced business in India only from the 1st January 1954 having taken over the business of the Nationale Handelsbank which had originally been made a party to the dispute. The other bank viz. the Habib Bank, had sent all its past records in respect of its branches in India to its head office at Karachi as it intended closing all its branches in this country. The applications of one C class bank viz. the Vysya Bank and one D class bank viz. the Salem Bank for exclusion had been recorded by the Labour Appellate Tribunal under the plea that they had arrived at a settlement with their employees. All these four banks were also, therefore, excluded. On a scrutiny of the replies received from the other banks, first by a comparison with the material already available with the Commission and later by an examination of their work sheets, about which details are given in the next paragraph, it was revealed that a number of banks had not submitted correct returns in spite of protracted correspondence carried with them. It was, therefore, decided to exclude them as well as some others which were not working normally e.g. displaced banks, from the consolidation of the data and preparation of the detailed statements which form the basis of this report. The remaining 67 banks whose figures have been consolidated in the statistical statements attached to this report are shown in Appendix III(A). They include all the important banks comprising 7 A class (Indian), 11 A class (foreign), 8 B class, 23 C class and 18 D class banks. These 67 banks are hereafter referred to as 'reporting banks'. A list of banks whose figures have not been included in the consolidation, giving reasons therefor, is given in Appendix III(B).

7. In view of the vast amount of work involved in computing the figures required under the questionnaire, banks were permitted to submit their replies section by section when ready. **Task of examining, classifying and consolidating the material** The replies which came in dribblets disclosed, when compared with the data contained in the Statistical Tables published by the Reserve Bank of India, that banks had not properly understood the implications of some of the items of the questionnaire and had, therefore, in most cases, supplied incorrect figures. This involved the Commission into a protracted correspondence with them thereby delaying the process of consolidation and tabulation. In order to be further satisfied that banks had followed the correct procedure in the compilation of the returns, the managements of A, B and C class banks were asked by the Commission in December 1954 and January 1955 to depute their officers to its office at Bombay along with the relevant work sheets to enable it to examine and scrutinise the same with a view to satisfying itself about the correctness of the returns. A test check was made of the work sheets thus produced and whenever discrepancies were noticed banks were asked to submit the returns on correct lines. In order, however, to save the D class and displaced banks from the heavy expenses of sending their representative to Bombay, some of the officers of the Commission visited important centres such as Calcutta, Madras, Delhi, Cochin, (Ernakulam) and Trichur where the representatives of banks

which had their head offices in their vicinity were asked to appear before them along with the relevant work sheets for the purpose of the scrutiny thereof. The revised returns corrected on the lines indicated as a result of this scrutiny were received finally at the Commission's office as late as the middle of March 1955.

8. In addition to the questionnaire sent to banks, certain other institutions were also addressed soliciting information from them on some matters which had a bearing on the points at issue. Thus the Reserve Bank of India was requested for its views on certain relevant topics and also for information to serve as a supplement to the information received from banks and as a cross-check on the latter. Certain first class commercial and industrial institutions representing a cross section of the various types of industries and commercial organisation in the country supplied the Commission, at its request, information relating to the emoluments received by their top-ranking officers. Leading banks in foreign countries were also requested to provide the Commission with data relating to their earnings as well as establishment expenses with certain break-ups. Except for two banks in the Scandinavian countries others expressed their inability to supply such information. The Commission also invited some economists and bankers for an informal discussion on matters of topical interest relevant to the enquiry. Finally, the Commission invited associations of banks and their employees to submit their views in respect of the points referred to the Commission. These views have been duly studied and the suggestions made therein have been taken into consideration by the Commission while arriving at its conclusions.

9. As stated earlier both bankers and employees were consulted frequently during the course of the fact-finding enquiry. In order to facilitate such frequent consultations, associations of banks and employees were requested early in October 1954 to nominate their representatives on the respective Liaison Committees. Accordingly the Bombay Exchange Banks' Association and the Indian Banks' Association nominated one and two representatives respectively and the Imperial Bank of India was also allowed one representative. In the case of employees' associations, however, the All India Bank Employees' Association had initially refused to co-operate with the Commission and, therefore, did not nominate its representatives on the Committee. The Imperial Bank of India Staff Federation and the Indian National Trade Union Congress agreed to co-operate and were allowed four representatives each. In January 1955 the All India Bank Employees' Association reversed its earlier decision and agreed to co-operate with the Commission's work. It was, therefore, allowed to nominate five representatives on the Committee with a panel of 12 advisers. In giving representation to associations on these committees, the policy generally followed was to give representation only to associations or federations of banks and of employees of All India importance. For this reason, the All India Central Bank Employees' Association was also allowed to nominate two representatives on the Employees' Liaison Committee assisted by two advisers. In a few cases like the Indian Bank and the Indian Overseas Bank Employees' Unions, which had certain special points to place before the Commission, the individual bank units of the employees' associations were allowed to attend and take part in the meetings held with the representatives of their respective banks.

10. The first meeting of the Employees' Liaison Committee was held on the 1st November 1954 and that of the Bankers' Liaison Committee on the 11th November 1954 when the questionnaire was explained to them item by item. It was also decided in the latter meeting, which of the information contained in the various items of the questionnaire should be made available to the representatives of the employees, either separately for individual banks or in a consolidated form class-wise, to enable them to scrutinise the same and base their representations, if any thereon. A note showing the nature of information disclosed to or withheld from employees is given as Appendix IV. No meetings of the committees were thereafter held for nearly five months as the materials received from banks was being scrutinised and tabulated during this period. While forwarding the questionnaire to banks, however, individual banks which were not members of any associations, were asked to make, if they so desired, any representation to the Commission regarding their position *vis-a-vis* the decision of the Labour Appellate Tribunal and its subsequent modification by Government. Certain associations of banks or sub-groups thereof as well as a number of individual banks sent their representatives to Bombay to make their representation to the Commission personally and these were given separate hearings. Minutes of the relative meetings as also of those of the Bankers' and the Employees' Liaison Committees were duly recorded. (A list of all these meetings is given in Appendix V-A and that of members of the Bankers' and Employees' Liaison Committees is given in Appendix VI-A).

11. By the end of April 1955, tabulated statements showing the position of individual banks as well as classes of banks were completed and it was decided to start discussions on the relevant issues. As one of the terms of reference of the Commission stipulated assessment of the capacity to pay of each bank individually, it was decided to discuss the figures of the individual banks in meetings with the representatives of the employees as also of those particular banks so that both the sides would be given an opportunity to state their cases. A time schedule was accordingly drawn up for discussion of the individual bank cases for the A class (Indian), B class and C class banks. By this time as the exchange banks had through their Association informed the Commission that they had never disputed their capacity to bear the additional burden that might be imposed upon them as a result of the implementation of the Labour Appellate Tribunal decision, no separate meetings with the individual banks' representatives of this class were held but matters concerning their capacity to pay as a class as well as other related matters were discussed in a joint meeting of the representatives of all exchange banks and of employees. No hearings were given to the D class banks individually as the modification by Government of the Labour Appellate Tribunal decision had not, except for the provision as to exemption of areas, materially affected their position or that of their employees. A schedule showing the dates of the meetings with the individual banks and the names and designations of the representatives who appeared before the Commission on their behalf is given as Appendix V-B to this report and the representatives of employees who attended these meetings are listed in Appendices VI-A(ii) and VI-B.

12. Before the hearings of individual banks were taken up critical notes on their working as well as an estimate of their gross earnings **Studies on individual banks and class- years (upto 1957) were prepared by the officers of banks** attached to the Commission. This was done in order to ascertain the effect of the Labour Appellate Tribunal decision and Government modified decision on the total emoluments of employees received by them prior to August 1954 as well as the extent of the burden that would be cast on individual banks and classes of banks over their respective position under the frozen Sen award. This information in respect of the different classes of banks required to be collected under the terms of reference nos. 1 and 2 is given in details in statement no. 14. The notes referred to above also dealt with the question of judging the paying capacity of each bank individually and of classes of banks. These notes were discussed by me in joint meetings with the Advisers and the Secretary and my decisions in respect of individual banks and classes of banks were reached in the light of these discussions.

13. The hearings of individual bank cases commenced by putting to the representatives of bankers and employees certain questions of **Procedure for the hearings of cases of individual banks** general interest. A list of these questions is attached as Appendix VII. After recording the replies of the representatives to these questions the banks' representatives were asked whether they pleaded inability of their banks to bear the additional burden that might be imposed upon them as a result of the implementation of the Labour Appellate Tribunal decision. In case the banks' representatives did not dispute their ability to bear this additional burden, no further discussion took place on this point and other matters of interest like the exemption of areas and application of the Labour Appellate Tribunal decision without cuts were discussed. In case, however, the banks' representatives pleaded inability to bear the additional burden, the employees' representatives were asked to put forth their arguments on the basis of the figures supplied to them. Only representatives of associations or unions of employees which were concerned with the particular bank were allowed to take part during these discussions. The proceedings of the meetings were recorded and copies of brief minutes thereof were supplied to the banks concerned for their information and record and in case nothing further was heard from them in this connection it was assumed that they had accepted the accuracy of whatever had been recorded in the minutes.

14. The hearings in respect of individual banks which commenced on the 4th May 1955 were completed on the 2nd June 1955. By this **Final hearings on the general points** time the Commission had acquired comprehensive information regarding and a fairly accurate assessment of the general financial position of banks. In order to be able to come to a tentative decision as regards the capacity to pay of the various banks as well as classes of banks, a joint meeting of both the Liaison Committees of bankers and employees was held on the 6th June 1955 when relevant questions relating to the dispute were discussed. Another meeting of the Employees' Liaison Committee was also held on the 16th June 1955 in order to discuss with them certain additional points.

15. During its enquiry the Commission was presented with a special problem viz., that of banks incorporated in the Travancore-Cochin State. Although only 17 out of a total of about 160 of these banks were parties to the dispute, their small size and peculiar constitution, as well as their methods of operation, *prima facie*, supported the representations made by them to the Commission requesting for exemption from the operation of the decision. It was, therefore, decided that the working conditions of these banks should be investigated and examined on the spot with a view to arriving at a decision in respect thereof and the late Shri Justice Rajadhyaksha accordingly made a rapid study tour of the State in the second week of January 1955 accompanied by the Adviser (Banking) and the Secretary. The party visited Cochin (Ernakulam), Kottayam, Trichur and Trivandrum and met the representatives of banks, which are parties to the dispute and which have their head offices at these places or in their vicinity, as also of their employees. The representatives of the two Bankers' Associations in the State viz., the Travancore-Cochin Bankers' Association and the Kerala Bankers' Association as well as those of the Travancore-Cochin Bank Employees' Association also met the Commission and placed their views before it. The Commission was satisfied that the problem of banks in Travancore-Cochin presented some special difficulties and, therefore, it has been considered separately as a problem by itself.

16. To complete the narrative of the proceedings before the Commission, I think I ought to add that, at the initial stages of this enquiry, the late Shri Justice Rajadhyaksha had made an earnest effort to bring about an amicable settlement of this dispute, but his efforts failed. After I took charge, I also tried my best to see if this bitter dispute could be brought to a happy end by compromise. My efforts also did not bear any fruit. These efforts were made at the earlier stages of the enquiry when information collected had not been examined. Naturally, the basis of the approach then was to find out if bankers could be persuaded to accept a *via media* between the Government modified decision and the Labour Appellate Tribunal decision. The leading bankers, however, emphatically expressed their banks' inability to bear any additional burden and so the pursuit of an amicable settlement had to be abandoned.

Attempts at conciliation

CHAPTER II

BACKGROUND OF THE DISPUTE

I think I should begin my report by giving a brief account of the background of the present dispute.

17. As is well known, the impact of the second world war on cost of living was primarily responsible for intensifying the agitation on the part of labour for higher emoluments and better conditions of service. The agitation confined mainly to labour employed in mills, factories and other industrial concerns in the early years of the war, gradually spread to the middle class employees serving in banking institutions, insurance companies and other commercial establishments. About the middle of 1946, the dispute between banking companies and their employees resulted in the serving of strike notices on several banks. The unrest was particularly acute in Bombay, Bengal and the U.P. The State Governments concerned intervened in these disputes and referred them to adjudication by Tribunals appointed for the purpose.

18. In Bombay, Shri H. V. Divatia passed a consent award in the dispute between the Bank of India and its employees (other than officers) working at the head office and branches in the city of Bombay and its suburbs. This award was published in the Bombay Government Gazette dated the 15th August 1946. A few months later, Shri Divatia's services were again utilised in connection with a comprehensive enquiry into the dispute between 30 specified banking companies and their employees in Bombay. The award which followed, known as the Divatia award, was published on the 9th April 1947. The benefits accruing to the employees under this award were later extended to bank employees in Ahmedabad by means of a separate award given by Shri Divatia and the same was published in the Bombay Government Gazette dated the 22nd April 1948.

19. At about the same time as the conciliation proceedings in respect of 30 banks in Bombay were concluded, Shri R. Gupta, in Calcutta, was called upon to arbitrate in the dispute between the Imperial Bank of India and its employees in the Bengal Circle. His award was given on the 4th August 1947 and certain clarifications in regard to it were published in the Calcutta Government Gazette Extraordinary dated the 6th September 1947. The Gupta award was followed by a separate award in the same dispute by Shri S. C. Chakravarty on points not referred to Shri Gupta, and subsequently by several other awards by various Adjudicators in the disputes between certain other banking companies and their employees in Bengal. The more important of these were the awards given by Shri S. K. Sen in the dispute between the Central Bank of India and its employees in Calcutta and other offices in Bengal.

20. In the U.P., Shri B. B. Singh, Labour Commissioner, was called upon to arbitrate in the dispute between 40 individual banking companies and their workmen in all their establishments. Thirteen specific issues were referred to Shri Singh by Government and his

findings thereon were enforced by a Government Order dated the 15th March 1947. However, soon after, certain differences regarding the interpretation and implementation of the terms of the award arose between employers and employees. As a result, the U.P., Government appointed a Conciliation Board under the Chairmanship of Shri R. S. Nimbkar for the purpose of interpreting the terms of the B. B. Singh award and revising it, if necessary. Shortly after the Board commenced its working, Shri Nimbkar died and Shri Bind Basni Prasad was appointed in his place. The Conciliation Board concluded its labours by February 1949 and submitted an interim report containing the clarifications of certain points in the Singh award. The recommendations made in the report were made effective by a Government Order dated the 18th April 1949. Meanwhile, as a result of the representations made by banks to have disputes settled by some central organisation, the Central Government, by an Ordinance *viz.* Industrial Disputes (Banking and Insurance) Ordinance, took over the responsibility for resolving the industrial disputes of banking companies having establishments in more than one Province (State) and their employees. Consequently, the proceedings that were pending before the Provincial Tribunals were abandoned. On the 13th June 1949 the Central Government appointed the All-India Industrial Tribunal (Bank Disputes) presided over by Shri K. C. Sen for the purpose of codifying for the first time the terms and conditions of service of bank employees all over India. The award of the Sen Tribunal was published in the *Gazette of India* dated the 12th August 1950. An appeal against this award was preferred by certain leading banks to the Supreme Court of India which by a majority judgment delivered on the 9th April 1951, declared the Sen award void on account of some technical flaws in the constitution of the Tribunal. Following the annulment of the Sen award and the failure to secure a settlement through conciliation, the Government of India passed a temporary Act freezing the scales of pay and rates of allowances awarded by the Sen Tribunal and appointed in July 1951 an Industrial Tribunal with Shri H. V. Divatia as Chairman and two other members. Banking companies in Part B States were not included in the reference to this Tribunal. The Chairman and members of the Tribunal resigned soon afterwards and the adjudication could not be taken up. In January 1952 another Tribunal presided over by the late Shri S. Panchapagesa Sastry to adjudicate *de novo* on the entire dispute between banks and their employees was constituted when for the first time banks in Part B States and their employees were made parties to the dispute. The award of the Sastry Tribunal was published in April 1953. It failed to satisfy employees and also some banks in C class. Appeals in respect of the provisions of the award were thereupon filed by both the parties before the Labour Appellate Tribunal of India. A Special Bench of the Labour Appellate Tribunal presided over by Shri F. Jeejeebhoy was constituted to hear these appeals and its decision was given on the 28th April 1954. In terms of this decision banks were allowed five months' time to implement it. Before, however, it could be implemented, several banks appealed to Government to set aside the decision of the Appellate Tribunal as they felt that the total burden imposed by it was entirely beyond their capacity to bear. Thereupon the Reserve Bank of India, under directions of the Central Government, carried out a rapid survey of the possible effect

of the decision of the Labour Appellate Tribunal on the working of a sample of banks which were parties to the dispute. On a study of the evidence so collected, the Central Government concluded that it was inexpedient on public grounds to give effect to parts of the decision. Consequently, the Labour Appellate Tribunal decision was modified by them by an Order dated the 24th August 1954. This decision was debated in Parliament and ultimately Government announced their decision to appoint a one-man Commission to help them to assess more fully the effect of the bank awards by examining the question and making its recommendations as directed in the terms of reference.

21. In their effort to re-establish harmonious relations between employees of banking companies and their employers, the various **Brief summary of the underlying ideas and main features of the various awards** Adjudicators and Industrial Courts have attempted to evolve a satisfactory solution in the light of certain principles of wage fixation and code of social justice. It will be of interest here to recapitulate briefly the underlying ideas and main features of the more important of these awards some of which are regional while others have an all-India character.

22. Till the appointment of the Sen Tribunal, the disputes between the bank employees and the management had been adjudicated upon piecemeal and within the framework of the **Regional awards** labour legislation applicable to the localities where the disputes had their origin. These awards were, therefore, regional in character and limited in their scope and applicability. The problems dealt with by the regional bodies were confined to those which had been either raised specifically in the demands presented by the employees or had been referred to these bodies by the Governments concerned. While formulating their recommendations, the Adjudicators did not deal at any length with the principles and the factors that weighed with them in arriving at their conclusions. A perusal of these regional awards reveals some measure of agreement among the Adjudicators in their general approach. Thus, both Shri Divatia and Shri B. B. Singh felt it necessary to classify banks, that were parties to the dispute, into various groups according to their resources. Shri R. Gupta was concerned only with the dispute between the Imperial Bank of India and its employees in the Bengal Circle. He also examined the feasibility of grouping the branches of the bank in the whole of Northern India into several classes in view of the prevailing differences in the cost of living between the bigger cities and the mofussil areas. Shri Gupta's approach to the question of basic wages was in consonance with the practice prevailing in the Government offices. He thus favoured a uniform rate of basic pay for each category of employees both in Calcutta and outside and emphasised that there was no justification for maintaining different rates of pay for the same job because it happened to be done in different places. Shri Gupta left it to the banks to decide to what extent the higher cost of living in bigger cities should be neutralised by the grant of special allowances.

23. In the construction of the pay scales all the Adjudicators kept in view the desirable objective of securing to the employees a "decent livelihood" and in this regard relied extensively on the Report of the Central Pay Commission as also on such information as

they could collect on comparative levels of wages in banks and Government offices. The award given by the late Hon'ble Shri Justice Rajadhyaksha in the dispute between the Posts and Telegraphs Department and its non-gazetted employees was utilised in one case of adjudication in Bombay. None of the other Adjudicators however, explained the reasons for selection of the specific scales awarded.

24. Some important matters like dearness allowance, bonus, gratuity, etc., were dealt with by one or other of the above bodies. Thus, while Shri Divatia and Shri B. B. Singh gave directions regarding payment of dearness allowance, Shri Gupta refrained from tackling this issue because the claim for dearness allowance had not been raised by employees. The question regarding payment of bonus was dealt with by Shri Divatia alone, while in the matter of gratuity Shri Gupta was concerned with problems relating to its payment to non-pensionable staff only. A comparative study of the views of these Adjudicators on some of the problems that vitally affect both employees and employers is thus hardly possible. The difficulties in this regard are enhanced by the lack of a full discussion of the considerations underlying some of the recommendations, especially in the award given by Shri B. B. Singh. Thus, while in the Divatia award the absence of an official cost of living index for clerical employees and the difficulties in the determination of the co-efficient that could be applied to the cost of living index for the working classes to arrive at an index for clerical employees were cited as reasons for rejecting a scheme of dearness allowance on a sliding scale, the Singh award dismissed the whole matter by merely stating that the scale of "dear food allowance" was fixed on the basis of the scales prevailing in banks and also on the recommendations of the Pay Commission. In the matter of gratuity neither the Divatia nor the Singh award gave any specific reasons for holding that gratuity is not an *ex gratia* payment. As to provident fund, while no enforceable award was given in this respect by either Shri Divatia or Shri R. Gupta, Shri B. B. Singh merely laid down a scheme for this purpose without stating specifically the reasons for the selection of the rates of contribution awarded by him. All the three Adjudicators, however, dealt with the question of medical facilities which should be provided to employees and were unanimous in their opinion that such facilities should be limited to employees only and not extended to their families. Further, both Shri Divatia and Shri Singh were agreed that only the bigger units amongst banks appearing before them should be asked to arrange for free medical consultation for all their employees. In this case also Shri Singh was silent regarding the considerations that weighed with him in exempting the C class banks from implementing this part of his award.

25. In the awards of the all India Tribunals there is a considerable degree of similarity in approach to the basic problems involved in or arising from the subject-matter of adjudication. **All India awards** though there have been differences in detail. Thus, as regards the basic approach to the problems, it was agreed that—

- (i) the existing pattern of the banking structure in the country does not permit of the fixation of a single scale of pay for

employees of all banks and, therefore, a classification of banks according to their resources (inasmuch as this factor is indicative of a concern's capacity to pay) is essential;

- (ii) the differences in the cost of living in various parts of the country necessitates its division into certain specified areas as obviously it would not be correct to suggest the same scale of emoluments for expensive places like Bombay or Calcutta as for comparatively cheaper centres;
- (iii) in fixing the wage scales the capacity of the industry to pay should be taken into consideration;
- (iv) the total emoluments of an employee should provide for his physical needs as also for a modicum of comfort;
- (v) the rise in the cost of living should be compensated to a fair extent by the grant of a dearness allowance.

26. Generally speaking, the principles of wage fixation followed by the Sen Tribunal bore a close affinity to the pronouncements of the Committee on Fair Wages on the subject, while the deliberations of the later Tribunals were admittedly guided by certain other practical considerations besides the Committee's recommendations. The differences in approach became pronounced when they came to the actual fixation of wages and allowances and to certain matters aligned to the wage structure such as the application of efficiency bars, details regarding provident fund and gratuity schemes, etc. On the issue of bonus all the Tribunals were agreed that bonus is not an *ex gratia* payment. Only the Sen Tribunal awarded a bonus scheme for bank employees and it linked the quantum of bonus to dividend. The Sastry Tribunal apprehended legal difficulties in giving directions relating to bonus and only commended to the banks a scheme which it formulated in this regard. On the issue of medical benefits also the Tribunals recognised the need for providing medical facilities to their employees by banks but the limits set to the liability of banks in this behalf varied. In spite of differences regarding details there was almost complete agreement on matters of principle; the Tribunals differed only in the practical application of these principles.

27. The decision of the Central Government modifying the decision of the Labour Appellate Tribunal differed from it in respect of some of its conclusions. Thus, in view of the desirable objectives of development of banking in rural areas, **Government modified decision** it created an additional area viz., area 4 comprising towns with population of 30,000 and less and exempted such areas in Part B and C States (except Delhi, Ajmer and Coorg) from the operation of the decision. It also attempted to provide some relief to banks in general by upholding, in its entirety, the Sastry Tribunal's scheme of dearness allowance in preference to that of the Labour Appellate Tribunal. The Government modified decision accepted the Sastry scheme for fitting in employees in the new wage scale in preference to the scheme adopted by the Labour Appellate Tribunal. It also completely exempted the United Bank of India from the application of the decision. Similarly, recognising the need for affording

some relief to employees who, otherwise, would have faced a sudden reduction in their emoluments, the Government of India directed that the adjustment of the difference between their emoluments in March 1954 and those they would be entitled to draw under the decision, should be spread over a period of three years. The other amendments made in the decision were consequential.

CHAPTER III

THE TASK BEFORE THE COMMISSION

28. It is necessary at this stage to determine the nature and scope of the enquiry entrusted to the Commission. It would be relevant for this purpose to consider briefly the sequence of events which led to the appointment of this Commission. The Labour Appellate Tribunal decision was published on the 28th April 1954. On the 24th August 1954, the Ministry of Labour issued an order modifying the said decision in several particulars. The modifications thus made by Government in pursuance of the provisions of the proviso to sub-section (1) of section 15 of the Industrial Disputes (Appellate Tribunal) Act, 1950 (Act XLVIII of 1950) became the subject-matter of a debate in Parliament on the 30th August 1954 and the following days. During the course of this debate an explanation was offered on behalf of Government as to the procedure adopted by them in exercising their powers under the proviso to sub-section (1) of section 15 and as to the reasons which impelled them to make the relevant modifications. It would appear that, after the Labour Appellate Tribunal decision was published, it was represented to Government that the impact of the decision on the banking business of the country would be very adverse and that it was not unlikely that in many cases individual units of the banking sector would be in serious jeopardy. In order to be able to examine the merits of this representation, Government naturally desired to collect relevant information on the point, and since it was felt that the collection of the relevant material and its examination would take longer than the period of 30 days prescribed by the proviso to sub-section (1) of section 15, the said statutory time-limit was extended to 120 days. Under instructions from Government, the Reserve Bank of India collected information about a certain number of banking companies of all classes which had been selected as a representative sample for the purpose, and this information was verified by the Reserve Bank. Besides, certain unverified estimates in regard to number of bank employees who would be prejudicially affected by the Labour Appellate Tribunal decision were made available to Government. After examining the material thus submitted to them, Government came to the conclusion that it would be inexpedient on public grounds to give effect to the whole of the Labour Appellate Tribunal decision. That is why Government made certain modifications in the decision and declared that the Labour Appellate Tribunal decision as modified by their decision should be enforced. The Prime Minister himself intervened in this debate and he emphasized the fact that nothing had been finally and irrevocably decided and that it would be open to Government, if they so desired, to collect additional facts and data relevant on the point and to get them examined either by appointing a new Tribunal or by adopting some other suitable procedure in that behalf. It appears that Government further considered this matter and came to the conclusion that it would be desirable to have this question further investigated

so as to enable them "to assess more fully the probable effects of the Labour Appellate Tribunal's decision and the effect of the modified decision on the individual units of the banking sector to which it applies". It is as a result of this decision that the present Commission came to be appointed by a resolution issued by the Ministry of Labour on the 17th September 1954.

29. By its terms of reference the Commission is required to hold an enquiry into and ascertain the effects on the emoluments which **The terms of reference considered** the employees were in receipt of prior to August 1954, (a) of the Appellate Tribunal decision without modification, (b) of the Appellate Tribunal decision as modified by Government, and to ascertain the additional burden on individual banks that would have been caused by the Appellate Tribunal decision over the expenses under the frozen Sen award, the extent and amount of relief obtained by them as a result of the modifications made by Government, as well as the additional expenditure which had now to be borne by banks under the modified decision over the expenditure incurred under the frozen Sen award/that would have been incurred under the Sastry award. The Commission is required to scrutinise the information which has already been collected at the instance of Government and has been authorised to collect further information relevant to the decision of these issues. In other words, the first part of the terms of reference covered by sub-paragraphs (1), (2) and (3) of paragraph 2, requires that the Commission should definitely ascertain the magnitude of the liability which would be imposed on banks by the Appellate Tribunal decision without modification and should determine the extent of the relief which they would receive as a result of the modifications introduced by Government. This part of the Commission's work can be described as purely factual and the object of the enquiry contemplated by this part can be achieved by requiring banks to supply the Commission with the necessary and relevant data on the points. Since the necessary and relevant data could be collected from banks in answer to a questionnaire suitably framed, the Commission devoted considerable time and thought to the problem of framing a proper and exhaustive questionnaire, and the answers received from banks have been of considerable assistance in dealing with this part of the problem.

30. After the effects of the respective decisions on the emoluments of the employees are thus determined accurately, it would become necessary for the Commission, under the second part of its terms of reference covered by sub-paragraph **The capacity to pay** (4) of paragraph 2, to make certain recommendations to Government. The Commission is expected to report to Government its conclusions on the question as to whether the Appellate Tribunal decision as modified should be continued or whether the said decision should be restored in its entirety or in part, or whether in the opinion of the Commission any other modifications are necessary in the said decision. While making recommendations to Government under this part of the terms of reference, the Commission has been asked to bear in mind certain important considerations. The recommendations which the Commission would make should be made with a view to ensuring equitable treatment to bank employees. In

other words, social justice, which is the principal objective of industrial adjudications, should be borne in mind; but in adjudicating upon the claims of social justice in the context of the present dispute, regard must be had to the very important factor of the capacity of banks to pay. Equitable treatment to the bank employees must be consistent with the capacity of banks to pay; and this capacity must be determined either class-wise or bank-wise, as may be found necessary. In dealing with this aspect of the matter, the terms of reference further require the Commission to have due regard to the undesirability of widespread closure of banking companies or their branches, and to the necessity to promote development of banking in the country generally and in rural areas in particular. The Commission should likewise consider the possibilities of effecting economies in the expenses of banking companies. I apprehend that this last consideration would, by necessary implication, authorise the Commission to consider the possibilities of adding to the income of banking companies. The effect of this part of the terms of reference is clear. The Commission has to make its recommendations as to whether the Appellate Tribunal decision should be enforced as it stands or should be modified after taking into account all the relevant factors just indicated. The most important point in this part of the Commission's work centres round the question of the capacity of banks to pay. It would be noticed that the first factual part of the enquiry would have a material bearing on the decision of the question as to the capacity of banks to pay. It is apparent from this part of the terms of reference that it is not seriously in dispute that the Appellate Tribunal decision purported to ensure an equitable treatment to bank employees. The dispute essentially revolves round the question as to the result of the impact of the said decision on the finances of the banking business in this country in general and those of some of the individual units in particular. Government themselves made the modifications in the said decision, not on the ground that the wage structure or the provision as to dearness allowance was extravagant or unduly high, or exceeded the legitimate limits of a fair wage the said modifications were made solely on the ground that the liability imposed upon the banks by the said decision was beyond their financial resources. That is how the principal question which falls to be considered under this part of the terms of reference centres round the capacity of banks to pay. It is the decision of this question that would inevitably shape the final recommendations which the Commission may make. It is hardly necessary to add that the determination of this question would raise some important issues which do not admit of any easy answer. It would, for instance, be necessary in this connection to consider the denotations of the concepts of "living wage", "fair wage" and "subsistence wage" and the relative priorities of several claims which banking business has to recognise. The approach to this question of the capacity of banks to pay, which the parties inevitably adopted before the Commission, was not uniform and so the relative values of the contentions raised by employees and banks have to be carefully weighed and the Commission's own approach to this question clearly defined before the Commission can give its answer to the question of the capacity of banks to pay. Thus this part of the enquiry would be both theoretical and practical. The theoretical approach would be first set out and the result of the said approach, in the light of

the facts ascertained in the first part of the enquiry, will give the Commission's answer to the principal question of the capacity to pay.

31. The last part of the terms of reference covered by sub-paragraph (5) of paragraph 2 requires the Commission to consider and recommend what special modification, if any, is necessary to the Appellate Tribunal decision in order to encourage the spread of banking facilities in area 4 of Part B States and Part C States other than Delhi, Ajmer and Coorg. In order to appreciate this part of the terms of reference, it would be necessary to remember that one of the modifications introduced by Government in the Appellate Tribunal decision was to create area 4. The Appellate Tribunal decision had divided the country into three areas. Area 4 was added by the Government decision and certain consequential modifications were made in respect of this area. The Commission is required to consider the merits of this modification made by Government and to make its recommendations in that behalf under this part of the terms of reference.

32. In the result, it may be stated that under the terms of reference the Commission has to enquire into the magnitude and order of the liability imposed on the banks by the Appellate Tribunal decision and to decide whether banks can bear the burden of the said liability having regard to their obligations to their employees, on the one hand and to their shareholders, depositors and other constituents on the other.

33. The limits of the present enquiry can be best appreciated if the nature of the powers conferred upon Government by section 15 of the Industrial Disputes (Appellate Tribunal) Act, 1950, are borne in mind. This Act was passed mainly for the establishment of an Appellate Tribunal in relation to industrial disputes; section 15 of this Act, like section 17A of the Industrial Disputes Act, 1947 (Act XIV of 1947), conferred power on the appropriate Government either to reject the decision of the Tribunal in question, or to modify it. Section 15 sub-section (1) of the Act provides that the decision of the Appellate Tribunal shall be enforceable on the expiry of thirty days from the date of its pronouncement. The proviso to this sub-section, however, authorises the appropriate Government, within the said period of thirty days, by order in the Official Gazette, either to reject the decision or to modify it, and this power can be exercised if the appropriate Government is of opinion that it would be inexpedient on public grounds to give effect to the whole or any part of the decision in question. This proviso constitutes an exception to the usual principle of finality attaching to judicial decisions. Legislature thought that in the matter of industrial adjudication it is not unlikely that the decisions of Industrial Tribunals may have such far-reaching effects on the trade or business involved in the dispute itself, or sometimes even on the general economy of the country, that public grounds would require either the rejection of the decision or its modification. Legislature may likewise have thought that in some cases the decisions of Industrial Tribunals may require to be modified in the interests of social justice or in the interests of public good, for which, in a democratic set-up, Government is inevitably responsible and answerable to the public. That is why Legislature has, by this proviso, conferred

upon the appropriate Government the power to interfere with such awards. In the present case, it is significant that Government have interfered with the decision both in favour of banks and in favour of employees. Whereas most of the modifications made in the decision are intended to give relief to banks, at least one modification made in clause 3 (g) of the Government Order dated the 24th August 1954 was intended to give relief to a section of the employees. Besides, the creation of area 4 is the result of Government's desire to facilitate the spread of banking in rural areas covered by the said new area. That would tend to show that Government exercised their power and made modifications in the decision which, in their opinion, appeared to be justified on public grounds. Even so, by appointing the present Commission, Government want to have the benefit of the recommendations of this Commission made after a careful study of the relevant material produced before it. The exercise of the power conferred upon the appropriate Government under the proviso to sub-section 1 of section 15 can, in a sense, be described as a power of review. It is obviously not a judicial review, but a review made by Government; and the limits within which the power of review has to be exercised are set by Legislature by providing that interference would be justified only on "public grounds". Indeed, the effect of the appointment of the present Commission appears to be that, before Government come to their final conclusion on the points involved in the dispute, they want to have the benefit of judicial findings on the relevant issues. In other words, in legal language it may be said that the modifications introduced by Government in the Labour Appellate Tribunal decision on the 24th August 1954 are in the nature of interim modifications. The validity, propriety or necessity of the said modifications has to be tested by the present enquiry. Banks and employees would naturally have to be heard in the course of this enquiry, and in the light of the recommendations which would be made to Government as a result of this enquiry Government will consider whether the interim modifications made by them should be confirmed or not. If the present enquiry is thus treated as a part of an enquiry for review of the Appellate Tribunal decision, its limits would be obvious. The Commission would, therefore, be justified in not covering the whole ground of the dispute afresh. The task before the Commission would be to take the structure embodied in the Appellate Tribunal decision as it stands and to examine its impact on the financial position of the individual units of the banking sector or on classes of banks. If the result of the examination of this question shows that the impact of the Appellate Tribunal decision would lead to undesirable, though unforeseen, consequences, the Commission may have to consider what modifications should be made in the said decision. If, on the other hand, it appears to the Commission that the burden imposed by the Appellate Tribunal decision is not beyond the resources of the banks, taken class-wise collectively or considered individually, then the Commission may have to recommend that, in respect of classes of banks or individual units of the banking sector which can bear the burden, no modification of the decision is required to be made. The proceedings before the Commission would thus be in the nature of proceedings in review, and the over-riding factor which would determine the nature of the recommendations of the Commission would be the capacity of banks to pay. It is thus obvious that the Commission is not writing

on a clean slate and so must resist all temptation to strike a new path in dealing with the dispute or to entertain new proposals to satisfy the claims either of banks or of employees. The Commission has before it the provisions contained in the Appellate Tribunal decision and the modifications made by Government. In considering the matter referred to the Commission, it would be advisable to confine one's attention to the two respective structures which are available and to decide which of these should be enforced. If it appears that any other modification in the decision is absolutely essential or is patently desirable, the Commission would not be precluded from considering the merits of the said modification, because in terms of clause (c) of sub-paragraph (4) of paragraph 2 of the terms of reference authorises the Commission to consider whether any other modifications are necessary in the decision. It is, however, clear that, before the Commission suggests any new modifications, it must take care to see that these modifications themselves do not lead to a prolongation of the present dispute; and so, if any modifications are intended to be recommended under this clause, their impact on the banking business would have to be very carefully considered and weighed.

34. Since in dealing with the limits of the present enquiry I have had occasion to consider the effect of the proviso to sub-section (1) of section 15 of the Industrial Disputes (Appellate Tribunal) Act, I think it may be permissible, with respect, to make one or two suggestions in regard to the exercise of the power contemplated by the said sub-section. Government may consider whether it would not be possible to achieve the object which this sub-section has obviously in view by conferring upon the Industrial Tribunals a power to review. It is well-known that in civil matters that come before the ordinary civil Tribunal for decision, the power of review is statutorily provided for. Under Order 47, rule 2, of the Code of Civil Procedure, a party aggrieved by a decree or order from which an appeal is allowed, but from which no appeal has been preferred, or by a decree or order from which no appeal is allowed, can always apply for a review of judgment; and if the Civil Court is satisfied that the application for review is supported by the discovery of new and important matter or evidence which, after the exercise of due diligence, was not within the party's knowledge or could not be produced by him at the time when the decree was passed or order was made, or if it appears to the Court that the decree or order suffers from some mistake or error apparent on the face of the record, or there is any other sufficient reason, the Court would be competent to grant the prayer for review. Naturally, powers of review are exercised very cautiously and very sparingly. But sometimes the exercise of the power of review does serve the purpose of administering justice. Sub-section (1) of section 15 contemplates interference with the decision of an Industrial Tribunal on public grounds. *Prima facie* it assumes that public grounds on which interference is sought for were not present to the minds of the judges constituting the Industrial Tribunal. This ordinarily must mean that these grounds were not either placed or pressed before the Industrial Tribunal. It may be that the impact of the decision cannot be judged by the Industrial Tribunal in ordinary cases, though under section 9(4) of the Industrial Disputes (Appellate Tribunal) Act it would be possible for the Appellate Tribunal to

appoint, after consulting the parties to the dispute and the appropriate Government, one or more persons as assessors to advise it in any proceeding before it, and with the help of the advise of such technicians it may not necessarily be impossible to anticipate the impact of the decision which the Tribunal wants to pronounce. But assuming that a decision given by the Appellate Tribunal overlooks the effect of the said decision on the economy of the trade or business involved in the dispute or the consequences of its impact on the general economy of the country, Legislature may effectively meet this position by conferring upon the Tribunal concerned the power of review on relevant and appropriate grounds, and an application for review, if allowed, would give an opportunity to the Tribunal concerned to apply its mind to the public grounds on which a review is claimed. The advantage of adopting this procedure would be to meet the objection that executive interference with judicial decisions is inconsistent with the rule of law which is the foundation of a modern democratic State. I may incidentally point out that Article 137 of the Constitution of India has conferred on the Supreme Court, which is the Highest Court in the Union of India, wide powers to review any judgment pronounced or order made by it. If a similar power is conferred upon the highest Industrial Tribunal, perhaps the object which the proviso to sub-section (1) of section 15 has in view may be adequately met.

35. In the alternative, I would like to suggest that, in case Government are not disposed to propose the adoption of this course to Parliament, it would be worth while to consider whether even under the proviso as it stands it would not be more expedient to get the points raised in support of a plea for interference under the proviso duly examined by a judicial officer before Government decide to exercise their power. In the present case, Government have in fact appointed the present Commission to examine the pros and cons of the controversy between the parties; and as the terms of reference indicate, Government have virtually treated the order of modification passed on the 24th August 1954 as an interim order. If the recommendations of the Commission are in favour of the implementation of the Appellate Tribunal decision as it stands, and if Government accept the said recommendations, the interim order passed would have to be set aside. It seems to me that perhaps it would be better in such a case to get the merits of the dispute judically considered before Government exercise their power under the proviso. In other words, even if the proviso stands as it is, it would be more consistent with the policy of Government in such matters to adopt a convention by which the exercise of the power under the proviso would be preceded by, and would ordinarily depend upon the result of, a judicial examination of the points on which Government interference under the proviso is invoked.

36. Dealing with the importance of the rule of law even in industrial adjudications, Orwell de R. Foenander has observed:—

**Mr. Foenander
on the Rule of
law in industrial
adjudications**

“...It is irrational for trade union leaders to argue or aver that, parallel with the co-existence of a fully competent in-

ustrial authority, their members are entitled, in circumstances of which they are to be the sole assessors or discriminators, to fall back on direct action in enforcement or satisfaction of an industrial demand. The doctrine of a conditional acceptance of, or qualified obedience to, awards and determinations is pernicious, and should be abandoned as invalid by those unions that profess to subscribe to it...The principle of the rule of law admits of no exception or reservation where the law applies, or is made to apply.”*

In this passage, Mr. Foenander—has no doubt dealt with one aspect of the rule of law in industrial adjudications in so far as it relates to the attitude of the trade unions. “Pernicious”, I concede, is a very strong word to use; but it indicates Mr. Foenander’s belief in the paramount character of the rule of law in a modern democratic State. Industrial legislation in a modern democratic Welfare State seems to postulate that generally industrial disputes are justiciable. If that is so, the rule of law would seem to require that, during the prescribed period when the award is valid and enforceable, it must receive unconditional acceptance and unqualified obedience not only from the trade unions, but from the trade or business itself as well as the State representing the public good. In other words, the necessity to offer unconditional acceptance of judicial decisions in matters which are regarded as justiciable by Courts of competent jurisdiction is usually regarded as a necessary implication of the doctrine of the rule of law.

* Better Employment Relations and other Essays in Labour , pp. 10-11, the Law Book Co. of Australasia Pty., Ltd., 1954.

CHAPTER IV

THE APPROACH TO THE PROBLEM—GENERAL CONSIDERATIONS

37. In determining and describing my approach to the problem of the present banking dispute, it would be necessary to set out some general considerations which are relevant. The **Adoption of the socialistic pattern of society by the State** the social and political climate of the country needs to be given pride of place. Its relevance to the decision of the present dispute will not, I think, be exaggerated. The genesis of the present dispute lies in the consciousness which the working class of the country has naturally developed since the age of India's freedom began. Of their human rights and of their legitimate place in the economy of the nation the working classes of the country have become fully conscious. Their clamour for a fair deal must be appreciated and considered in the background of the social and political climate that prevails in the country to-day. The Constitution which the country gave to itself on the 26th January, 1950, has promised to all the citizens Equality—social, political and economic; and Article 43 of the Constitution has laid down as one of the directives of State policy that the State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers—agricultural, industrial or otherwise—work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Then followed the First Five Year Plan, and the authors of the Plan have clearly indicated the principles which should govern the construction of wage structures in the country. Says the Plan: "Concerning the wage policy which should guide wage Boards or Tribunals", "the principle should be to reduce disparities of income. The worker must have his due share in the national income; and the standardisation of wages should be accelerated and extended". As a fitting conclusion to these ideas, on the 21st December, 1954, the Lok Sabha unanimously adopted a resolution by which the establishment of a socialistic pattern of society has been accepted as the objective of State policy with the consent and concurrence of all political parties in the country. This objective has been adopted, not as a mere ideal, nor as a dream which may be realised in the distant future: it has been adopted with the full determination that the achievement of the ideal should not be unnecessarily postponed and that all the energies of the State and its citizens should be harnessed on democratic lines with the sole object of accelerating the establishment of the socialistic pattern of society. In this connection, I may refer to the observations made by Prof. R. H. Tawney in his book on Equality. Says Prof. Tawney "Whatever conclusions may be drawn from the history of the last decade, one, at least, is indisputable. It is that democracy is unstable as a political system, as long as it remains a political system and nothing more, instead of being, as it should be, not only a form of Government, but a type of society, and a manner of life which is in harmony with

that type.”* It is against the background of this objective that industrial disputes will have to be considered and decided by Industrial Tribunals.

38. The objective of establishing a socialistic pattern of society must inevitably and of necessity involve planning on a national scale. In a modern democratic Welfare State, the State has to take upon itself the task of fighting social and economic inequalities and of annihilating what Lord Beveridge so aptly described as the “giants of idleness, disease, squalour and want”. The economic doctrine of *laissez faire*, which was so popular with political democracies in the last century, is wholly inconsistent with the ideal of welfare which modern democracies have placed before themselves. Our notions about the functions of the State, and incidentally about the role of law, must be adjusted to the requirements of the objective of a socialistic pattern of society. It would no longer be open to the State to remain a passive spectator of the conflicts between labour and its employers. In old days, the State may perhaps have been justified in taking the view that its only obligation was to keep the ring clear and to be responsible only for peace and order. If social and economic inequalities have to be removed and social, economic and political equality has to be brought within the reach of every citizen, the State will have to take a more active part in planning the social and economic life of the country; and law has to play a decisive and dynamic part in the attainment of this ideal. The rule of law, as it was enunciated by Dicey, would, in the context of to-day, appear to be too static. As Mr. Friedmann in his “Law and Social Change in Contemporary Britain”† has observed, “Dicey’s formulation of the rule of law has, in recent years, come in for much criticism from such eminent contemporary constitutional lawyers as Jennings, Wade, Carr or Robson.” It is true that the rule of law continues to be, and should, remain the main foundation of a democratic State. But if the State has to achieve the ideal of social welfare, it would be necessary to establish a synthesis between planning and individual freedom. To-day law would have to adopt the formal jurisprudence of *laissez faire* in economics with the substantive jurisprudence of a Welfare State. As Mr. Friedmann has observed, it would be both idle and futile to project yesterday’s politics and economics into the law of to-day.‡ The genesis and the justification of all industrial legislation in a modern democratic State lies in the anxiety of the State to establish social and economic equality amongst all its citizens. It may be that, when a modern democratic State enacts laws for the purpose of establishing a socialistic pattern of society, some of its legislation may appear to abridge freedom of contract or even the private right to own property. But if economic inequalities have to be removed, it would be necessary to realise that the old-world notions of absolute freedom of contract and absolute private right to own property must yield to what Mr. Justice Holmes described as “the felt necessities of the times”. That is why it seems to me that trade and business must adjust themselves to the requirements

* Equality, Allen & Unwin, 1952 revised edn. pp. 15—16.

† Stevens & Sons Ltd., London, 1951, p. 285.

‡ *Ibid.*, p. 281.

of a Welfare State and must be prepared to co-operate with the regulatory laws in regard to industrial disputes without any mental reservation. Professor Hayek, who can claim to be one of the leading modern anti-planners, has forcibly expressed his opposition to the interference of law in social and economic matters. According to him, regulatory legislation is inconsistent with the fundamental theory of the rule of law. Professor Hayek illustrates the difference between a planned State and a State government by the rule of law by saying that the former "commands people which road to take, whereas the latter only provides sign-posts". This criticism, which is shared by many advocates of the static rule of law as enunciated by Dicey, has been effectively met by Mr. Friedmann. Says Mr. Friedmann: "In modern industrial society vast masses live together in close physical and economic inter-dependence. The traffic is so dense that many more policemen, beacons, and sign-posts are necessary to avoid chaos. The traffic of London requires more regulation than that of Much-Binding-in-the Marsh."*

39. I have thought it necessary to begin my consideration of the general approach to the problem by referring to these two theoretical aspects because I found that some of the bankers entertained genuine apprehensions about the wisdom of industrial legislation and consequent interference with their affairs by Industrial Tribunals. This, no doubt, is a psychological matter; but I have come to the conclusion that much of the bitterness in the decision of industrial disputes would be eliminated if both employers and employees adjust their outlook and approach to the requirements of a Welfare State. It was seriously urged before me by some of the bankers that, on the whole, the effect of adjudications in bank disputes has been far from healthy, and in support of their contention my attention was invited to the observations made by the Shroff Committee in that behalf. The Committee on Finance for the Private Sector consisted of eminent economists and had for its Chairman Shri A. D. Shroff. It is obvious that opinions expressed by this distinguished Committee on matters of economics and finance must carry considerable weight; and, speaking for myself, I would naturally treat such opinions with great respect. But whilst dealing with the matters referred to them, the Committee, in its report, has made certain incidental observations which I find it difficult to accept at their face value. It appears that the Committee was told by some bankers that industrial legislation and industrial adjudications were having a very adverse effect on the banking business in the country, and apparently the representation thus made by bankers was accepted by the Committee. Here is one of the observations made by the report in this connection. "Apart from the effect of these measures", says the report, "on the costs of labour to industry, they have greatly reduced the freedom of employers to adjust the labour complement or to enforce disciplinary measures or to rationalise in order to step up productivity. While it is not our purpose to sit in judgment on recent labour legislation and policy, we should like to emphasise the fact that cumulatively these have had an adverse effect on both the incentive to invest and on the resources internally available for investment". (Paragraph 39, p. 19 of the report). The Committee has further

* Law and Social Change in Contemporary Britain p. 279.

remarked: "The Awards of the Industrial Tribunals in the cast of banks have had equally unfortunate results in certain other directions. In the first place, they have led to a weakening of the sense of discipline and loyalty among the rank and file of the staff, thereby reducing the out-turn of work, increasing inefficiency, mistakes and frauds and further lowering the standard of service rendered to the public. Secondly, they have resulted in a curtailment of banking hours and, as a corollary, in facilities for the clearance of cheques, causing considerable inconvenience to the business community." (Paragraph 107, p. 53 of the report). From the report it does not appear that before the Committee came to these conclusions it gave any representatives of labour an opportunity to place their point of view before the Committee. Besides, the report does not show that any objective verifiable material was placed before the Committee to justify the complaint made by some of the bankers. With very great respect to the members of the Committee, it seems to me rather unfair that such sweeping observations should have been made against workmen and such wide and unqualified conclusions about the adverse effect of awards should have been pronounced, without taking the normal precaution of hearing the other side and of requiring objective verifiable proof in support of the allegations. I do not propose to enter into the merits of these observations. However, I may be permitted to refer to two relevant facts. It is not unlikely that the pendency of the present dispute for such a long time may have created a feeling of bitterness and frustration in the minds of employees and so the bankers may not have received the best co-operation from them. Besides when complaints are made against a whole class of employees, it may sometimes be relevant to remind the complainants that it is only contended workmen that give efficient service and loyal co-operation. The attitude evidenced by the complaint which was made to the Shroff Committee by some of the bankers appears to have been shared by employers even in England some years ago, for Mrs. Barbara Wootton has observed: "Comparisons of attitude are always dangerous when no precise measures are available, but it can safely be said that at the turn of the century employers were at best disposed to look upon the negotiation of wages with trade union representatives as an unwelcome concession to the growing power of the unions: fear and suspicion were the dominant themes in the conventional attitude to trade unionism."* It seems to me that it is of utmost importance that employers must move with the times and need not cavil at industrial legislation or at the awards which Industrial Tribunals may be called upon to pronounce. It is not my intention to suggest that Industrial Tribunals may not sometimes go wrong. But because it appears to trade or business that in any given case the decision of the Industrial Tribunal is not consonant with the evidence produced before the Tribunal, it does not follow that criticism can be made against industrial legislation in general or against the institution of Industrial Tribunals in particular.

40. On the other hand, during the public hearings of this dispute, workmen were never tired of referring to the period of 'genteel poverty' which they had to face before the era of industrial adjudication commenced. It was urged by their representatives that bank employees belong

The duty of workmen

* "The Social Foundations of Wage Policy, Allen & Unwin, 1955. p. 71.

to the lower middle class and that they were not organised for many years. Owing to lack of organisation amongst this class of workmen, banks had it all their own way and the state of the market for the recruitment of bank labour was a bankers' paradise. Clerks in banks are recruited from the educated lower middle class and since there was an excess of supply in the market for bank-labour, the market was easily converted into a buyers' market to the obvious detriment of the employees. Bankmen, therefore, complained against the attitude adopted by bankers in the present controversy and did not disguise their frustration and bitterness at the prolongation of the present dispute. Though there may be some substance in the contentions thus raised by employees, it is necessary for them also to realise that they owe a duty to the banking trade. Distrust and suspicion in their minds may easily give rise to unhealthy tendencies and may cut at the root of the stability of the banking system itself. After the dispute is decided and employees' claim for a fair wage has been adjudicated upon, it would be their duty to give their best to the banks they seek to serve, because in the ultimate result the service that they give to banks would amount to service to society itself. In other words, in the context of to-day, both bankers and bankmen must realise their duty to the State, because after the interests of banks are safeguarded and the claim for fair wages made by employees is considered and adjudicated upon, the banking system as a whole must subserve national interests, which is of over-riding importance. In my opinion, therefore, the psychological approach to the problem must disclose on the part of bankers and bankmen alike awareness of the paramount requirements of to-day.

41. The dispute between the parties, in a sense, lies within a very narrow compass. Employees claim a living wage and concede that the structure of their wage must be fixed having regard to the capacity of the banking business to bear the burden of the said structure. They are sometimes prone to exaggerate the capacity of banks to bear the burden with a view to press their claim for a living wage properly so-called. Bankers, on the other hand, while conceding the necessity for giving a fair wage to employees, are apt to under-state the strength of their financial structure and to over-state their obligations to their other constituents. An Industrial Tribunal, dealing with such a dispute, must therefore, carefully scrutinise the rival contentions and analyse the evidence about the financial strength of the banking business before fixing upon any specific wage structure.

42. The concepts of "living wage", "fair wage" and "minimum or subsistence wage" it is difficult to describe in definite words. The contents of these expressions are elastic and varying. The terms "basic wage", "fair wage" and "living wage", like their variants "the poverty level", "the subsistence level", "the comfort or decency level", are essentially subjective in their character. It is difficult to give any adequate precision to these concepts. Their contents may conceivably differ from country to country and even in one country from trade to trade. In other words, the concept of a living wage is essentially something which is hypothetical and relative. Its denotation depends upon the views

of social justice that may prevail in any country at a given time and to the subsisting economic circumstances. What is a fair wage in one country may have to be regarded as a living wage in another country where the financial position of the trade in question may be comparatively weaker or the average national income may be relatively smaller. As the social conscience of the community gets more and more active, and the realisation of human dignity and human rights gets more and more vocal, the decision of the problem of fair wages ceases to be a purely arithmetical matter. Sometimes it ceases to be even a purely economic matter. Undoubtedly, arithmetic and economics play a *very* important role in determining the constitution of wage structure. But as Mrs. Barbara Wootton has so convincingly pointed out, the social and ethical implications of the arithmetic and economics of wages cannot be ignored in the present age; and that naturally renders the task of defining or even clearly indicating the denotation of the expressions "living wage", "fair wage" and "subsistence wage" very difficult.

43. In trying to construct a wage structure in respect of any trade or industry, it would no doubt be necessary to bear in mind the background of the general economic condition of the country and the nature and level of the national income. When I say that the level of national income must be taken into account, I wish to make it clear that the low level of national income should not be permitted to be unduly pressed against a liberal fixation of wage structure in any given industry if the burden of such a structure can be borne by the industry in question. In fixing a wage structure, regard must be had to the level of wages in other comparable industries in the country and care must be taken to provide for a minimum wage structure below which no industry should normally be permitted to function. The Fair Wage Committee's report has observed that the members of the Committee had all along held the view that an industry which is incapable of paying the minimum wage had no right to exist. The Committee has, however, added that when the industry may be such that its continued existence is imperative in the larger interests of the country whether or not it is in a position to pay the minimum wage, then the responsibility of the State is to take steps to enable that industry to pay at least the minimum wage. With respect, I am disposed to agree with the principle thus enunciated. The position then is that every industry, to justify its existence, must be prepared to pay a minimum wage to its employees. Between the minimum wage and the living wage there are several categories or phases of wages. The floor level of the wage structure need not be prescribed unless it is found that the industry cannot bear any higher burden at all. On the other hand, the high level of a living wage cannot be prescribed unless it is clearly shown that the industry can bear the burden. The task before an Industrial Tribunal always is to find out which level of wage structure is due to employees, having regard to the capacity of the industry to bear the burden.

Relevant considerations in determining the denotation of the said expressions

44. This question has been more fully considered in some of the Australian decisions and so it may be useful to derive assistance

Australian decisions on the interpretation of the expressions living wage, fair wage and minimum or basic wage

from the views expressed by eminent Australian Judges. Sir Samuel Griffith, first Chief Justice of the High Court of Australia, postulated that the 'natural and proper measures of wages' was not capable, in any circumstances, of being 'taken at a less sum than such as is sufficient to maintain the labourer and his family in a state of health and reasonable comfort'. Then followed Mr. Justice

Heydon, who, in his capacity as a judge of the New South Wales Court of Industrial Arbitration, spoke, in 1905, of the "duty" of an Industrial Court of assisting, if possible, "so to arrange the business of the country that every worker, however humble, shall receive enough to enable him to lead a human life, to marry and bring up a family, and maintain them and himself with, at any rate, some small degree of comfort". A judgment delivered by Mr. Justice Higgins bearing on this question is regarded as a classic on the subject. The case in which Mr. Justice Higgins, sitting as President of the Commonwealth Court of Conciliation and Arbitration, delivered his judgment is usually referred to as the *Harvester Case*. The learned Judge came to the conclusion in this case that a 'fair and reasonable' wage, in the case of an unskilled labourer, must be an amount adequate to cover the 'normal needs of the average employee, regarded as a human being living in a civilised community'. Mr. Justice Higgins emphatically pointed out that his Court had always regarded basic wage as an irreducible figure, payable irrespective of the financial capacity of an individual employer, or of the financial condition of a particular industry. It is "a thing sacrosanct" and "beyond the reach of bargaining". "If a man cannot maintain his enterprises", said Mr. Justice Higgins, "without cutting down the wages which are proper to be paid to his employees—at all events, the wages which are essential for their living—it would be better that he should abandon the enterprise".

45. In considering the quantum of the fair wage to which an employee is entitled, it is essential to bear in mind the employees' obligations to his own family. As would be obvious, this aspect of the matter must inevitably proceed on a conjectural or hypothetical basis. In all industrial adjudications some assumptions are usually made as to the size of this hypothetical family of the employee. The Labour Appellate Tribunal has proceeded on the assumption that in his eighth year of service a clerk would be entitled to three consumption units. The reference to consumption units is based upon the method of Lusk co-efficient, under which the worker himself is regarded as one unit, his wife .8 unit and a child .6 unit. It does not appear to be disputed that it would be reasonable to assume that, in the eighth year of his service, the family of a clerk would consist of himself, his wife and two children. That is how, in terms of consumption units, an employee in the eighth year of his service is entitled to three consumption units. For converting the consumption units into rupees, annas and pies, Industrial Tribunals rely upon the decisions of the Rau Court of Inquiry appointed in 1940 by the Central Government to enquire into the rise in the cost of living for the lower-paid staff of the railways since the outbreak of the War in the various areas in which they were employed. The figures which are available from the findings of this Court of Inquiry were taken by

the Labour Appellate Tribunal as a basis to work out the wage structure for bank employees. The Rau Court of Inquiry had held that, on the basis of three consumption units, the family of average size in the city of Bombay, whose pre-war monthly income was less than Rs. 35/-, would have no margin for retrenchment; that the subsistence level in places like Sholapur and Nagpur would be in the neighbourhood of Rs. 30/- per month; and that in rural and semi-rural areas Rs. 25/- per month would be the subsistence level. Taking these figures as the basis, the corresponding figures for clerical staff in banks are determined by multiplying the said figures by the coefficient of 1.80. This is the formula which was enunciated by the late Shri Justice Rajadhyaksha, when he had occasion to enquire into the cost of living of the non-gazetted employees in the Posts & Telegraphs Department; and this coefficient formula has been subsequently adopted by most of the Industrial Tribunals. Thus the determination of a fair wage invariably involves the considerations arising from the employee's obligations to his family and the size of this hypothetical family is generally determined in the manner just indicated. I am disposed to think that the method adopted by the Labour Appellate Tribunal in thus determining the size of the wage structure cannot be seriously disputed. I have deliberately referred to this aspect of the question because I want to put on record my conclusion that the criticism made by the decision of the Labour Appellate Tribunal against the approach adopted and views expressed by the Sastry Tribunal on this part of the case is fully justified. If I had come to a contrary conclusion on this point, I would have certainly considered the question of making suitable modifications in the wage structure fixed by the Labour Appellate Tribunal decision itself.

46. An attempt is sometimes made to deduce and lay down general principles which can be applied in fixing a wage structure. **The principles for fixing a wage structure** Such an attempt has been effectively made by the Committee on Fair Wages.

According to its report:—

“While the lower limit of the fair wage must obviously be the minimum wage, the upper limit is equally set by what may broadly be called the capacity of industry to pay.

This will depend not only on the present economic position of the industry but on its future prospects. Between these two limits the actual wages will depend on a consideration of the following factors and in the light of the comments given below:—

- (i) the productivity of labour;
- (ii) the prevailing rates of wages in the same or similar occupations in the same or neighbouring localities;
- (iii) the level of the national income and its distribution; and
- (iv) the place of the industry in the economy of the country.”

(Para 15, p. 11 of the report)

Banking is not a productive business from the ordinary common-sense point of view; and so the first out of the four principles can not so much apply to the present dispute. I am disposed to think

that the other three principles have, on the whole, been fairly applied by the Labour Appellate Tribunal decision.

47. I have already indicated that, in determining the wage structure in any industrial dispute, it would be necessary to bear in mind the prevailing wage structure in a comparable trade or business. It would also be necessary to take into account the average national income prevailing in the country. But when an Industrial Tribunal deals with this question, it cannot altogether ignore the nature of the summit salaries in the particular trade or business. It has often been argued before me by bankers that clerks in banks get more than teachers do and the suggestion was that the job of the teacher is no less responsible or essential for national good. This argument is no doubt plausible. But one way of weighing the value of this argument would be to consider the salaries of teachers in relation to the highest salaries paid in the line of teaching and compare the resulting ratio with the ratio of the summit salaries in the banking trade with the salaries paid to clerks. If the banking business thinks that it is necessary and desirable to pay higher salaries to its senior executives, the payment of such salaries would, in my opinion, have some relevance in determining the salaries to be paid to clerks and subordinates. After all, in a democratic set-up, it is of utmost importance to avoid glaring disparities in the incomes of persons serving the same trade. I do not propose to underestimate the importance and value of the work that higher executives in banking business perform. But the principle that glaring disparities in incomes should be toned down is, in my opinion, of universal application and the banking business can be no exception to it. The report of the Taxation Enquiry Commission, which has been recently published, has observed that "the disparity in consumption levels prevalent at present in this country is a matter of common observation and there can be no doubt about its demoralising effect on the large masses of workers in this country as regards their willingness to accept higher tax burdens and yet work harder." The Committee has further observed that "the fixing of a ceiling on personal incomes on the basis of a reasonable multiple of the *per capita* or per family national income is a matter to which we have given much thought and it is our view that there should be a ceiling on net personal incomes after tax which generally speaking should not exceed approximately thirty times the prevailing average per family income in the country." The Committee has naturally added that it did not want to suggest that this ideal was capable of immediate implementation. (Page 154 of the report). In my opinion, therefore, though it may be necessary to bear in mind salaries paid to workmen for comparable work in a comparable trade or business, the argument based upon salaries paid in other traders and businesses must be considered in its proper perspective and its importance should not be exaggerated.

48. In fixing the wage structure, it would also be necessary to remember another principle which is of great importance. It is now well recognised in all industrial adjudications that a fair wage must have priority over profits. I would readily concede that this principle cannot be literally invoked in the preser-

Fair wage has priority over profits with a provision

dispute; its application must be subject to one proviso, that capital which is so essential for banking business must get a reasonable profit before addition is made to the burden of the wage structure with the object of meeting the claims of social justice. The business of banking has its special features. It is not a trade or industry which produces goods. Its stability depends upon the over-riding factor of credit; hence the oft-quoted description of banks as delicate institutions of credit. In a sense, deposits received by banks are the raw material and it is with this material that banks run their business by advancing money to needy borrowers. The claims of shareholders, depositors and other constituents of banks must, therefore, be kept in mind when the claims of employees for a fair wage are being adjudicated upon. There would be no difference of opinion so far as the theoretical aspect of this matter is concerned. It is in the application of the theory that all disputes arise. Some of the banks appear to take the view that it is only after full provisions are made to satisfy the claims of shareholders, depositors and other constituents that the question of increasing the salaries of employees can be considered. On the other hand, employees seem to contend that exaggerated importance should not be attached to the claims of shareholders, depositors and other constituents of banks. In my opinion, the truth lies midway between these two conflicting views thus expressed by the parties before me. Capital is always described by capitalists as being shy and so a reasonable amount of profit must be offered to capital as an incentive. Without capital banks would not be able to function. But as I will point out in the next section, even capital will have to adjust itself to the political and social climate of the country to-day. Claims for profit, capital undoubtedly is entitled to make. But in the context of the dispute, the claims of capital must be recognised within reasonable limits. Profit must no doubt be assured to capital; but not to such a large and unreasonable extent as to disturb the fair wage structure to which employees are entitled. It is all a matter of making adjustments and an adjustment in the present dispute can be made without much difficulty. Therefore, in my opinion, the principle that fair wages have a priority over profits can be applied to the present dispute subject to the reservation which I have just indicated.

49. I must now consider the decision of the Labour Appellate Tribunal in regard to the wage structure and dearness allowance in the light of the principles which I have so far attempted to enunciate. In considering the propriety of the modifications made by the Labour Appellate Tribunal in the wage structure fixed by the Sastry Tribunal, it would be necessary to remember that the Sastry award had, in terms, attempted to prescribe a minimum wage structure for the respective classes of banks. In its award, the Sastry Tribunal has stated in more places than one that it was confident that some of the banks could easily afford to pay higher salaries to their employees and it appealed to these banks not to make the minimum prescribed by it the maximum in the result. Unfortunately, the hopes expressed

Wage structure prescribed by the Labour Appellate Tribunal considered by itself is on the whole fair and just *

*Two charts showing respectively (i) the total emoluments of a clerical employee in a bank at the start of his career according to different awards in relation to two yardsticks of requirements of a family of 2.25 consumption units and (ii) the average total emoluments per year of a clerical employee in a bank during the entire period of his service are shown as Appendices VIII and IX respectively together with brief explanatory notes thereon.

by the Sastry Tribunal were belied by banks and before the Labour Appellate Tribunal all the banks appeared to have adopted the attitude that they could not bear any additional burden at all. I would like to make it clear that my present examination of the wage structure prescribed by the Labour Appellate Tribunal decision would be confined to the consideration of the matter solely in the light of the principles as to living wage, fair wage and minimum wage. The capacity to pay, which is the other essential aspect of the matter, will be considered by me in due course in the subsequent portion of my report. The decision of the Labour Appellate Tribunal has considered the question of the wage structure with very great care; and if I may say so, with respect, its conclusions in regard to the banks in A and B classes appear to me to be on the whole sound. The Appellate Tribunal considered the wage structure in Government services as well as in commercial concerns, took into account the paying capacity of the two respective classes of banks grouped together in A and B classes, and held that employees in these two classes of banks should be given a wage structure which is midway between the Government structure and the commercial structure. That appears to me to be a fair approach to adopt in resolving the present dispute. The wages given to employees in A class banks border on the higher level of a fair wage; those given to employees in B class border on the lower level of a fair wage. In regard to the banks in C class, however, it appears that the case for this class of banks was not fully argued before the Labour Appellate Tribunal and it is clear from the judgment delivered by the Tribunal that several relevant aspects of the matter must not have been placed before it. That is why, as I will indicate in my report, I have not been able to agree with all its conclusions in respect of banks in C class. There is one more point which I must mention. In regard to banks in D class, it seems to me that the direction given by the Tribunal that, at the end of the period mentioned in the decision, D class banks should automatically bear the burden of the wage structure prescribed by it for C class banks, is not justified. I fully understand the argument that wages allowed to be paid by D class banks to their employees are bare subsistence wages and it is not desirable that these banks should be allowed to make profit and yet pay a mere subsistence wage to their employees. But it seems to me that in giving the said direction to D class banks, the members, of the Appellate Tribunal, with respect, had no data before them to justify the assumption that, at the end of the period prescribed by them, D class banks would be able to bear the burden of the wage structure fixed for C class banks. That is why I propose to recommend that, instead of directing D class banks to bear the burden prescribed for C class banks at the end of any stated period, the financial position of D class banks should be considered afresh at the end of the period which I will indicate and the wage structure for employees should be constructed afresh. Briefly stated, the position appears to be that the wage structure fixed by the Appellate Tribunal in respect of A and B classes of banks, considered by itself, is fair, the wages prescribed under the said structure do not amount to a living wage but amount to a fair wage: the first represents a higher slab of fair wage and the second a lower slab of fair wage. I must conclude the discussion of this question by observing that it was not urged before me by any of the banks that the wage structure prescribed by the Appellate Tribunal considered by itself is fantastic or unreasonably high. The only argument which was

urged before me was that, even if the said structure was a fair wage structure, it was inappropriate because the burden of the said structure could not be borne by banks, and it is this aspect of the matter which calls for a careful examination in the present inquiry.

50. In dealing with the modern concepts of the living wage, the fair wage and the minimum or subsistence wage, it would be necessary incidentally to bear in mind the effect of building

**The effect of
fixation of
wage structure
and of dearness
allowance and
the employees
claim to bonus**

a wage structure including dearness allowance on employees' claim for bonus. Unfortunately, this part of the dispute between banks and their employees has still remained unresolved. It appears to have been included in the reference before the Tribunals; but two difficulties prevented its decision by them; The first difficulty was legal: the Tribunals felt that, unless banks produced before them all the relevant and material evidence, it would not be possible for them to determine the actual quantum of the surplus profits made by banks, and that the determination of this surplus would be essential before employees' claim for bonus could be properly adjudicated upon. There was also another practical difficulty which prevented the solution of this problem. The wage structure has been built up by the Tribunals class-wise; but a class-wise approach appeared to the Tribunals to be wholly inappropriate in dealing with the claim for bonus. The claim for bonus would necessarily have to be considered bank-wise and since it was not possible to evolve a general flexible formula in that behalf the Tribunals refrained from giving a decision on this question. It seems to me that what is true about all industrial disputes is particularly true about the dispute as to bonus. Industrial disputes can be effectively settled and peace and harmony established between employers and employees if the method of conciliation is successfully adopted. If a spirit of concession actuates employers and a spirit of accommodation is present in the minds of employees, it should not ordinarily be difficult for the parties to sit together and settle the differences between themselves, If the parties are unable to settle their disputes between themselves, it may be worthwhile to arrange a tripartite conference attended by the two parties to the dispute and Government representing the public interest, and an effort should still be made to bring about a settlement by such a conference. A decision given by an Industrial Tribunal would not generally be able to achieve the same result as a decision by compromise, consent or conciliation.

51. In regard to the claim for bonus, no general principles can be invoked and the case of each individual bank would have to be considered on its merits. Since this dispute has not been resolved so far, it is likely that it may have to be dealt with in the near future. The claim for bonus is not within the terms of my reference and I do not wish to trespass in the area of this dispute. I am, however, referring incidentally to this aspect of the matter because the fixation of a wage structure is likely to have an effect on employees' claim for bonus.

52. On the concept of bonus, divergent views are expressed. Banks reply upon the dictionary meaning of the word and are apt to treat bonus as a matter of a boon, a gift or a gratuity otherwise described as an *ex-gratia payment*. On the other hand, employees are disposed to regard their claim for bonus as a claim for a deferred wage: it is their

**Claim to bo-
nus - the nature
of the claim**

case that the payment of bonus is intended to bridge the gap between the actual wage and the living wage and is in effect a mode of profit-sharing. This question has, however, been authoritatively considered by the Supreme Court in its recent decision in the *Muir Mills Co. Ltd. vs. Suti Mills Mazdoor Union, Kanpur*, A.I.R. 1951 S.C. 170. Mr. Justice Bhagwati, who delivered the judgment for the Court, has held that there are two conditions which have to be satisfied before a demand for bonus can be justified and they are: "where wages fall below the living standard and the industry makes huge profits, part of which are due to the contribution which the workmen make in increasing production". If these two conditions are satisfied, the employees are entitled to make a demand for bonus and the said demand, if not satisfied, becomes an industrial claim within the meaning of the Industrial Disputes Act. In other words, the effect of this judgment appears to be that the payment by way of bonus cannot be properly regarded as a mere gratuity. There may be an element of bounty in the payment; but under the secondary meaning which the word has acquired in industrial relations, bonus indicates one way of wage payment. If an employee receives a living wage which does not at all fall short of the living standards properly so-called, or if the industry does not make a substantial profit, there would be no justification for a claim for bonus; and if a claim is made in the absence of these two conditions, it may not amount to an industrial dispute. If this be the true position with regard to the employees' claim for bonus, it would follow, by the application of the plain and obvious rule of arithmetic, that to the extent to which the wage structure is raised the surplus profit is likely to be reduced and a claim for bonus likely to be impaired to that extent. I do not propose to express any opinion as to when the claim for bonus can be regarded as effectively impaired. That is a matter which may have to be considered properly by the authority that may be asked to deal with this dispute. But when the dispute before me was argued by banks and employees, I made it perfectly clear to employees that *prima facie*, if they succeeded in persuading me to recommend the restoration of the Labour Appellate Tribunal decision to the extent to which such restoration might involve an additional liability for banks, to that extent theoretically it would be possible for banks to argue that the claim for bonus would be impaired. As was to be expected, employees told me that they would rather have a proper wage structure, whatever its effect on the claim for bonus may be, than hope for payment of a proper bonus by their employers. It is for the purpose of explaining the logical and, if one may say so, arithmetical connection between the wage structure and a claim for bonus that I have thought it necessary to refer to this aspect of the matter at this stage.

53. The incidental discussion of this topic takes me to another subject to which I must make a reference and that relates to the **Privilege claimed by the banks in respect of some information** claim which banks made before the Tribunals, and even before the present Commission at the earlier stages of its enquiry, as to privilege in respect of certain information. As I have already indicated, it is partly because the Tribunals were not supplied by banks with all the information which the Tribunals regarded as relevant that they were not able to deal with the disputes as to bonus. When the Commission sent its questionnaire to all banks, the members of the Liaison

Committee for bankers raised the same point before the Commission. The Commission then agreed that the information in regard to which banks were disposed to claim privilege should be communicated to the Chairman personally in confidence and that the Chairman would not disclose the said information to employees during the course of this enquiry. Bankers agreed to this suggestion and accordingly all the information which the Commission called for has been supplied by a large number of banks. It may be stated that a substantial body of evidence which has been supplied to the Commission by banks has never before been collected and has never been considered in relation to the dispute between banks and their employees. When I began to hear the cases for individual banks, employees naturally made a grievance of the fact that information on several counts which they regarded as very important was withheld from them. As often happens, they were inclined to attach great importance to the information which was not known to them and which was not going to be disclosed to them. Since this Commission has been acting as a Fact-Finding Commission, and not as a Tribunal, I did not want to decide the question of privilege and so I assured employees that I would do my best to consider very carefully all the information which was not supplied to them and that they should be content to argue the matter on such information as was disclosed to them. I did not feel very happy in adopting this attitude. Normally, in all judicial proceedings, all relevant material on which the decision of the dispute is likely to depend has to be disclosed to both the parties. In fact, usually it is recorded in the presence of both the parties. But in the circumstances in which the Commission came to be appointed, and particularly having regard to the protracted nature of the dispute, I was anxious not to add to the life of this dispute by deciding the question of privilege; and so I had to assure employees that the information withheld from them would be properly taken into consideration. Besides, as I have already indicated, at the initial stage of this enquiry bankers had been promised that, in case they supplied all the information called for by the Commission in confidence to the Chairman it would not be disclosed to employees. That is why, in conducting the enquiry at subsequent stages, I have scrupulously kept the promise given to bankers by my predecessor the late Shri Justice Rajadhyaksha and information which was received confidentially by him or by me as Chairman of the Commission has not been disclosed to employees. Appendix IV gives a detailed analysis of the information which was supplied to employees as well as the information which was withheld from them. I may add that the information which was supplied to employees was supplied to them after the representatives of bankers on their Liaison Committee had consented to such disclosure.

54. It appears to me, however, that it would not be out of place if I indicate very briefly the pros and cons of the question of privilege.

Pros and cons of the question of privilege claimed by banks in respect of certain information. Banks rely upon the fact that they are required to prepare their annual balance-sheets and their profit and loss accounts in the form statutorily prescribed by the Banking Companies Act, 1949 (Act X of 1949). Form A under the III Schedule specifies details which are required to be mentioned in the balance-sheet and Form B under the same Schedule prescribes the details which are required to be mentioned in the profit and loss account.

This latter form requires banks to mention their income (less provision made during the year for bad and doubtful debts and other usual or necessary provisions). The case for banks is that, in permitting them to mention their income without indicating the provision which may have been made by them for bad and doubtful debts and other usual or necessary provisions, the Banking Companies Act, by necessary implication has authorised banks to treat this information as confidential. Section 29 of the Banking Companies Act, which deals with accounts and balance sheets, does not contain a specific provision to this effect. But the privilege claimed by banks is based upon the inference which they seek to draw from the authority given to them by Form B to show their income, without disclosing the relevant provisions made by them, in the profit and loss account. The case of privilege claimed by banks *prima facie* receives some corroboration from the fact that a full disclosure has to be made in the profit and loss account prepared under Form F to Schedule III under the Indian Companies Act, 1913 (Act VII of 1913). Neither section 131 of the Indian Companies Act, which deals with the annual balance-sheets, nor section 131A which deals with the directors' report, nor Form F which is prescribed under Schedule III, would justify the companies governed by the said Act to withhold any such information while preparing the profit and loss account; and yet section 29 of the Banking Companies Act, which requires the banking companies to prepare their balance-sheets and their statements of profit and loss account in the forms prescribed by Schedule III, seems to authorise banks to withhold information as to the provisions made by them for bad and doubtful debts and other usual or necessary provisions. If the Banking Companies Act permits banking companies to withhold this information there would be no justification for any Tribunal to call upon banks to produce the said information where a dispute between banking companies and their employees is referred to it for adjudication; that, in brief, is the position which banks seem to adopt in regard to the privilege claimed by them in respect of certain information. On the other hand, employees seem to contend that, whatever may be the position in regard to the provisions of the Banking Companies Act and the forms prescribed under Schedule III to the said Act, banks would not be entitled to claim privilege unless the said privilege is justified by the provisions of the Indian Evidence Act; and the argument for employees is that the privilege claimed by banks does not appear to be justified by any of the provisions of the Indian Evidence Act.

55. It is true that section 21 of the Industrial Disputes Act, 1947 (Act XIV of 1947), requires that certain matters should be kept confidential and should not be included in any report or award under the Act. This prohibition applies to all information obtained by a conciliation officer, Board, Court or Tribunal in the course of an investigation or enquiry as to any individual business (whether carried on by a trade union, person, firm or company) which is not available otherwise than by such officer, Board, Court or Tribunal, if the trade union, person, firm or company has made a request in writing to the conciliation officer, Board, Court or Tribunal, as the case may be, that such information may be treated as confidential. This section further lays down that the conciliation officer or any individual member of the Board, Court, or Tribunal, or any person concerned with the act or proceeding shall not disclose any information without

the consent in writing of the secretary of the trade union, or of the person, firm or company as the case may be. It would be clear from the provisions of this section that, though by enacting this section Legislature has prohibited the Industrial Tribunals from disclosing the information in question in their reports or decisions, the section itself contemplates the calling for of such information. In other words, the section seems to authorise the Industrial Tribunal to call for all relevant information either from the trade union or from the trade; but if a request is made for secrecy by either of the parties that request is required to be respected. Indeed, as the provisions of section 21 themselves clearly show, information in the first instance is received by the Tribunal. It is inevitably considered by the Tribunal in dealing with the dispute before it; but it would not be used by it in a report which may become a public document in due course. If that be the true position, the provisions of section 21 cannot assist the claim for privilege made by banks in respect of the information in question.

56. Apart from this technical aspect of the matter, the position of the Tribunals dealing with industrial disputes must also be appreciated. The net profits which are shown by banks in their profit and loss accounts are obviously artificial. Characterising the net profits as artificial does not mean that in arriving at a particular figure of net profits banks have necessarily, or in every case, made inflated provisions for bad debts or for other usual and necessary provisions. If the claim for bonus is linked up with the presence of a substantial surplus profit, a Tribunal dealing with such a claim would naturally, and in every case, require to be satisfied that the net profits shown by banks in fact represent fairly and accurately the real amount of net profits. The Tribunal may ultimately be satisfied in many cases that the provisions made by banks for bad and doubtful debts or for other usual or necessary provisions may be perfectly reasonable and would have to be made for the stability of banks. But the Tribunal dealing with the dispute would be reluctant to give a final decision on the matter unless it was allowed to examine the provisions in question made by banks. It is because such information was not produced by banks before the Tribunals that the dispute as to bonus has still remained unresolved. I apprehend that this point will have to be considered whenever this dispute is actually decided by any Tribunal.

57. In considering this point, two facts must be kept in mind. The insistence of the Industrial Tribunal to have produced before it all relevant evidence is natural and cannot reasonably be questioned. On the other hand, having regard to the delicate nature of the confidence factor which governs all banking business, the anxiety of banks not to expose to public scrutiny a certain type and class of information must also be appreciated and to a certain extent respected. Whether or not the requirements of these two legitimate, but conflicting, considerations can be adequately met by the existing relevant legal provisions, I need not, and do not wish, to say. Perhaps Legislature may have to intervene and provide by fresh legislation a suitable formula which may substantially meet the ends of justice.

58. Whilst I am setting forth the pros and cons of the merits of this controversy, I feel tempted to refer to the observations made by Hubert Somervell in his "Industrial Peace in our Time".* These observations appear to me to be instructive and interesting. In his book, Mr. Somervell had occasion to discuss the question of "salaried share remuneration" and he has commented on the practice of industrial concerns to keep back material information from their employees. One company—the Nunn-Bush Co.—according to Mr. Somervell, has, however, departed from this practice. "Each worker of this company receives a copy of the annual accounts together with a simplified statement which shows in graphic form how the distributive income of the company has been divided." Mr. Somervell has come to the conclusion that the policy adopted by the Nunn-Bush Company of making a full disclosure of facts to its employees has earned rich dividends in the form of complete satisfaction and contentment among the workers and so it serves as a very good illustration of the fact that secrecy generally defeats its own object. "The suspicion it creates", says Mr. Somervell, "will invariably set people guessing the wrong way where they feel their interests are at stake."

59. Banks also appear to be reluctant to disclose certain other information which is not covered by the provisions made for bad and doubtful debts and other usual or necessary provisions. They are, for instance, not willing to produce before the Tribunals for inspection by employees information as regards the salaries received by their high executives and the other benefits received by them or amounts incidentally spent on their account. Employees contend that the refusal to produce this information has no justification in law at all. In fairness to Indian banks, however, I would like to add that the reluctance shown by them in producing the material information is shared even by banks in England. During the course of this enquiry, the Commission wrote to several banks in England requesting them to give us relevant information as to the wage structure of their employees, particularly in the higher class, and of the higher executive officers, and the request was coupled with the assurance that the material which would be received from banks would be treated as confidential and would not be disclosed. All the banks politely refused to give such information and each one of them stated that it was not customary to disclose any such information. Indeed, the disinclination of banks to disclose to the public material information has been severely commented on by Mrs. Barbara Wootton in these words:—

"In private employment, secrecy is even stricter. A few large corporations (the Big Five banks, for instance) have no objection to divulging the salaries of their lower-paid staffs, but everything over a certain maximum.....is generally treated as strictly confidential. The business world in general is indeed a desert area for data about executive salaries, especially in the higher reaches...."†

* "Industrial Peace in our Time" Allen & Unwin, 1950, Ch. XIV, p. 127.

† "The Social Foundations of Wage Policy" Allen & Unwin, 1955, Ch. II 31.1

In this connection, it would be relevant to draw the attention of our bankers to the further observations made by Mrs. Wootton in her book. Says Mrs. Wootton:—

“A rational wage policy cannot, however, be either constructed or executed in the dark. Somehow or other the secrecy which invests the subject of personal earnings, and particularly the upper reaches of the income-pyramid, must be dispelled. If Labourers, including even those that are relatively exalted, are worthy of their hire, it is to everybody's advantage that this should be known and recognized. If they are not, it is only in the light of the facts that the matter can be put right. Present sensibilities are quite absurd, the more so, since they cannot, in the nature of the case, be universally respected.....”*

“The Social Foundations of Wage Policy” Allen & Unwin, 1955, Ch. VI, p. 171.

CHAPTER V

THE APPROACH TO THE PROBLEM—GENERAL CONSIDERATIONS—*contd.*

60. Before dealing with the general question as to the method which should be adopted in determining the capacity of banks to pay, it would be necessary to consider one preliminary issue and this issue is in regard to the rational basis for dealing with the present dispute. It is well-known that the present dispute came to be referred to the Sen Tribunal on an all-India basis because the history of prior adjudications in respect of similar disputes made on a Provincial basis tended to produce confusion, if not chaos. In regard to inter-State banks, where awards were pronounced by different Tribunals whose jurisdiction was limited to their respective Provinces (State), it appeared that the wage structures evolved by these respective Tribunals were, in many respects, dissimilar and sowed the seed of bitterness and dissatisfaction both amongst bankers and bank employees. That is why it was thought advisable to tackle this problem on an all-India basis and so the first national Tribunal known as the Sen Tribunal came to be appointed. The Sen Tribunal dealt with banks after classifying them into three categories known as A, B and C. Banks were thus classified by reference to the amount of their working funds as described in the award. When the matter was considered by the Sastry Tribunal, the approach to the problem was the same and the dispute was considered by reference to classes of banks, with this difference—that inter-State banks before the Sastry Tribunal came to be grouped in four categories instead of three. Briefly stated, banks with working funds of Rs. 25 crores and more were grouped in A class; those with working funds below Rs. 25 crores, but above Rs. 7.5 crores, were grouped in B class; those with working funds below Rs. 7.5 crores and above Rs. 1 crore were grouped in C class; and the remaining banks with working funds below Rs. 1 crore were grouped in D class. This classification was accepted by the Appellate Tribunal. In dealing with banks class-wise in this manner, provision was also made for re-classifying any given bank if its working funds were found to be below the lower limit or above the higher limit of its class continuously for a period of two years. In case the working funds were below the lower limit, the bank was demoted to a lower class; while in case its working funds were above the higher limit during the prescribed period, the bank was promoted to the higher class.

61. It may be possible to group banks according to some other criteria. It was suggested during the course of the hearings before me that banks could have been better classified by taking into account their ratio of reserves to paid-up capital, or their age, the area of their operations and the type of their predominant business and their turnover, or by reference to their average profits and dividend-

Alternative suggestions for classification of banks indicated.

paying capacity. It was also argued—and with considerable plausibility—that the ratio of the working funds to the total load would afford a better basis for classification. Even on the basis of working funds, it may perhaps be possible to classify banks more satisfactorily by attempting to reduce the very large discrepancies that are present between the top and the bottom of the class. An attempt was made by the Commission to see how this fresh classification would work (See Appendix X). But it was ultimately decided to keep, as far as possible, to the structure of classification which had been adopted by the Labour Appellate Tribunal. That is why I will take the said classification as it stands and will resist all temptation to think of any other method of classifying banks on a better footing. The tribunals fixed the wage structure and the structure of dearness allowance and made other incidental provisions in respect of the several classes of banks separately. In other words, the Tribunals decided the present dispute after adopting what may conveniently be described as the class-wise approach to the problem.

62. It may be conceded that it would be possible to deal with this dispute bank-wise. In regard to inter-State banks that were parties **Bank-wise approach and its effect.** to the present dispute, it might have been possible to take the cases of these banks, consider their paying capacity separately and fix the wage structure in each case in the light of the said paying capacity. In a bank-wise approach to the question, it would naturally be open to the Tribunal to fix the wage structure more satisfactorily because the said structure can be more easily adjusted to the specific paying capacity of the individual bank. In such a case, a bank with a higher paying capacity would pay a higher wage to its employees, while a bank with a lower paying capacity would pay a lower wage to its employees, though both these types of banks under the class-wise approach might have been grouped in the same class.

63. It is, however, significant that both bankers and employees were agreed before the Tribunals that the dispute should be settled **Attitude adopted by the parties before the Commission.** and the questions raised by the dispute should be tackled on a class-wise basis. I may add that during the course of the present enquiry also most of the banks in A and B classes agreed that the dispute should be settled classwise; whereas the majority of C class banks suggested that the dispute should be settled bank-wise. The employees who represented all the banks adhered to their earlier stand and wanted the Commission to deal with this matter class-wise.

64. I have already indicated that the terms of reference require me to consider the paying capacity of banks both class-wise and **The effect of the terms of reference on this question.** bank-wise. Indeed, in the preamble to the terms of reference it has been recited that Government wanted to assess more fully the probable effects of the Appellate Tribunal decision on the individual units of the banking sector to which it applies; and that necessarily postulates the decision of the question of the capacity of each bank to pay. Similarly, sub-paragraph (4) of paragraph 2 of the terms of reference requires me to take into account the capacity to pay of the various classes of banking companies or individual units. Consistently with these terms of reference, I have, in the first instance,

examined the cases of all individual banks that sent correct replies to the questionnaire issued by the Commission. In fact, the first step taken by me was to examine the position of each bank carefully and decide whether the bank in question could bear the burden of the Labour Appellate Tribunal decision or not.

65. In dealing with the case of each individual bank, I naturally took into account all the data supplied by the bank. Some of this information cannot be disclosed in my report. That **The method adopted in holding the present enquiry.** is why I have decided to forward my decisions in regard to the paying capacity of each individual bank separately to Government as my confidential report. My decisions on the cases of all individual banks will show that all the relevant material available to me has been duly considered before the particular decision was reached. In the report, however, I have decided to deal with the banks falling in A and B classes class-wise and to consider the special cases of banks in these two classes that seriously contested their ability to pay. In regard to the banks in C class, I have decided to deal with the cases of individual banks and to record my conclusions on the capacity to pay individually in respect of each one of these banks. Naturally, the discussion on the capacity to pay, which will be found in my report, will refer only to such information as can be legitimately disclosed in a public document.

66. Having regard to the terms of reference, it would strictly not be necessary for me to express a definite opinion as to which of the **Merits of the class-wise approach considered.** two methods of dealing with the bank dispute is more rational. However, since the matter has been argued before me, I may briefly indicate my views on this question. It seems to me that, in dealing with the dispute between inter-State banks and their employees, a more rational and more satisfactory basis is supplied by the class-wise approach to the problem. It is perfectly true that, in classifying banks, care must be taken to adopt a fair basis for classification and to bring together in one category banks which may be regarded genuinely as homogeneous in all material particulars. In fixing the wage structure class-wise, care must likewise be taken to fix the wage structure in such a manner that it would not be unduly below the paying capacity of the bank at the top of the class, nor unduly above the paying capacity of the bank at the bottom of the class. This result can be achieved if, in classifying banks, the distance between the capacity of the bank at the top and that of the bank at the bottom is not very large or glaring. It has been urged before me that, in classifying banks into four categories, the Tribunals overlooked the fact that foreign banks and the Imperial Bank of India constituted a class by themselves and that they should have been placed in a category higher than the present A class. There may be some force in this argument. It has also been urged before me that the present classification showed that in some classes the distance between the top and the bottom is too large. But whether or not the present classification is fully satisfactory, any argument based on the alleged defects of the said classification would not really affect the merits of the class-wise approach as such. If the said argument is sound, it only means that the classification adopted by the Tribunal may, in certain particulars, be defective. If the classification is

made rationally and properly, it would, I venture to think, be possible to deal with a dispute like the present more satisfactorily. Commercial banking is a very competitive business and it was stated before me by most of the banks in A and B classes that, if wage structures were fixed separately for each one of them, it would inevitably lead to dissatisfaction and bickerings between employees and banks and that it was in the interest of the banking business as a whole that the question of giving a fair deal to bankmen should be considered class-wise.

67. The class-wise approach to the problem raised by a dispute between inter-State banks and their employees would incidentally help to build healthy trade-union amongst bankmen in this country; and it would not be disputed, I think, that the growth of healthy trade-unionism is ultimately in the interest, not only of employees, but of the trade or business itself. A large number of banks in C class desired their problem to be considered bank-wise and this attitude can be easily appreciated if it is remembered that in C class are grouped together several banks which cannot be regarded as homogeneous in any material sense of the term. This aspect of the matter will be more fully considered when I deal with the question as to the capacity of the banks to pay. Incidentally, I may observe that the request made by a majority of C class banks for consideration of their problems individually cannot be regarded as based on their opposition to the class-wise approach as such, but is referable to their opposition to the present factual classification which they regard as unsatisfactory, if not irrational. It is true that the choice of the basis in dealing with industrial disputes would depend upon the nature of the work carried on by the industry, the position of the industry in the economy of the country and the nature of the industrial dispute between the industry and its employees. The argument that a class-wise approach to the solution of this problem attempts to put in a strait-jacket different banks, is apt to overlook the anomalies which seemed to follow from awards pronounced bank-wise and is presumably based upon the view that the classification adopted by the Tribunals is not as rational or satisfactory as it might have been. It must also be remembered that the class-wise approach in the present dispute is analogous to the region-wise approach which is generally adopted in dealing with disputes in regard to other industries in this country. Generally, when industrial disputes arise in industries other than the banking trade or business, it is not suggested that each constituent of the trade or business should have its dispute separately adjudicated. The region-wise basis is usually adopted in such cases and the approach adopted by the Tribunals is analogous to the said basis inasmuch as, in dealing with inter-State banks, they have divided banks into four classes and have divided the banking area into three units.

68. In considering this question, it would also be necessary to emphasize the main implications of the class-wise approach, I have **Implications of class-wise approach.** already stated that, in order that an award pronounced by an Industrial Tribunal on a class-wise basis should be fair and just, it is necessary to avoid gross disparities between the constituents of the same class and great care and wisdom will have to be exercised in fixing the wage structure applicable to the whole of the class. Once classification is rationally made and the wage structure applicable to the class

wisely fixed, then it would not be open to any constituent of the class to plead that it would be unable to bear the burden of the wage structure. The essence of a class-wise approach is to consider the paying capacity of the class as a whole, fix the wage structure in the light of the conclusion as to the said paying capacity and when the wage structure is thus fixed, to require each constituent of the said class to bear the burden of the said wage structure.

69. Where industrial disputes are decided on the basis of a region, I apprehend, the same procedure is invariably adopted. If the Tribunal is dealing with an industrial dispute in the textile trade, for instance, the paying capacity of the trade in a particular region is ascertained and then the wage structure and the dearness allowance are accordingly fixed. In such a case, it would normally not be open to a textile mill situated in a particular region to claim an exemption from the award of the Industrial Tribunal on the ground that its individual capacity to pay had not been duly considered.

70. I think it is necessary to point out with some emphasis that most of the banks in A and B classes specifically told me that, if I were to come to the conclusion that the banks constituting the two respective classes considered class-wise and collectively appeared to be able to bear the burden of the Labour Appellate Tribunal structure, then they would not claim exemption and would not like to be singled out as constituents of the class that could not keep pace with the rest of their colleagues in the same class. Even while adopting the class-wise approach in respect of banks in A and B classes, I have examined the cases of individual banks in these two classes as well and my investigation made it clear that, whereas some banks in these two classes can bear the burden quite easily, others would bear it less easily, while one or two may perhaps experience a little difficulty in bearing the burden after a couple of years. In view of the fact that, on the whole, banks in A and B classes wanted the dispute to be settled class-wise, the question in respect of the banks which appeared to me to be in some difficulty presented a dilemma and I frankly put this dilemma to these individual banks as well as to all the other banks in the two categories. Banking business rests on very delicate considerations of credit, and I was anxious to find out which course would cause less damage to the credit of the banks that may not be able to meet the burden of the Labour Appellate Tribunal decision very easily. Would it be better from the bankers' point of view that in my report I should say that the class as a whole can bear the burden, but that one or two constituents of the class, I found, could not bear the burden easily and so should be exempted from the operation of the said burden? Or would it be more to the benefit of the banks that I should require them to bear the burden, though in doing so the banks may have to experience some difficulty? When this dilemma was posed to the banks in A and B classes, I found that the consensus of opinion was in favour of the view that the best solution to the dilemma would be to require the bank in difficulty to fall in line with its other colleagues and to bear the burden after making efforts to find the wherewithal in that behalf.

I wish to make it clear that, when I was referring to the banks that would not be able to bear the burden without some difficulty, I was satisfied that the limits of this difficulty were narrow, that it was not at all beyond their capacity to face this difficulty, and that this difficulty would arise, not in the immediate future, but after some time. This attitude adopted by banks will have to be kept in mind when the question of the capacity of banks, either class-wise or bank-wise, is considered in respect of the two categories in question.

71. It appears that at one stage bankers were disposed to take the view that, in case a class-wise approach was adopted in resolving the present dispute and it was found that a particular class can bear the burden, but one or two constituents of the class could not bear it, then the solution would be that none of the banks constituting the said class should be asked to bear the said burden at all. This view attempted to receive support from the argument that, if some banks were exempted and others were compelled to bear the burden of the Labour Appellate Tribunal decision, it would amount to discrimination. In fairness to banks, I must hasten to add that, when I met the members of the Liaison Committee appointed by the Bankers' Association at the end of the public hearings, they did not appear to be inclined to press this view. On principle, this view cannot be regarded as sound, because it runs counter to the inherent implications involved in a class-wise approach to the solution of industrial disputes. Besides, in equity it would be hardly fair to deny employees their claim for a fair wage even after it is found that a particular class of banks considered collectively can bear the burden and a very large majority of the class in fact can bear it considered individually. In such a case, it would become necessary to deal with the banks, though their number may be very small, which either appear to be unable to bear the burden of the Labour Appellate Tribunal decision or raise a plea of their inability to bear it; and in the case of such banks, if I had found that the strain on their resources would be unreasonably high and the imposition of the burden of the Labour Appellate Tribunal decision would expose them to a genuine and real risk, I would unhesitatingly have recommended their exemption from the application of the Labour Appellate Tribunal decision. I have already explained, under the terms of reference I cannot, and do not wish to, adopt a rigid doctrinaire attitude in making my recommendations to Government. But as I will show in a subsequent portion of my report, except for the case of one bank I have not come across a single case in A and B class which really deserves exemption from the burden of the Labour Appellate Tribunal decision. The case of this bank, as my report will show, has been dealt with by me on a special footing. But I am afraid I am anticipating my conclusions.

72. Whilst I am dealing with the merits of the class-wise and the bank-wise approach, it may be relevant to refer to another aspect of the matter. It is well recognised that industrial legislation in a modern democratic State attempts to evolve standardisation of wages payable to industrial labour in the respective categories of industry. Any attempt to standardise wages inevitably raised the question as to the basis on which the structure of a fair

**Standardisation
of wages : its
bearing on the
class-wise ap-
proach**

wage can be raised. Fair wage has always to be correlated with the capacity of the trade or business to pay, and any one who attempts to construct a wage structure has to begin his enquiry with the consideration of two broad questions:

(1) What is a fair wage to which labour is entitled having regard to the nature of the industry or business in which it is employed? and

(2) How does the capacity of the said industry or business compare with the demand for a fair wage which labour puts forward?

Now, in deciding these points, Industrial Tribunals often have had occasion to consider the basis on which the capacity to pay of any given industry should be determined. The report of the Committee on Fair Wages, which has examined this question fully, shows that the Committee was of the opinion that "in determining the capacity of an industry to pay, it would be wrong to take the capacity of a particular unit or the capacity of all industries in the country. The relevant criterion should be the capacity of a particular industry in a specified region and, as far as possible, the same wages should be prescribed for all units of that industry in that region" (p. 15 of the report). The committee has also significantly added that "it will obviously not be possible for the wage-fixing board to measure the capacity of each of the units of an industry in a region and the only practicable method is to take a fair cross-section of that industry" (p. 15). It would be noticed that on this point three views are expressed. According to one view, the capacity to pay should be judged by reference to a particular unit of the industry; the second view requires that the capacity of a particular industry as a whole should be taken into account; while the third view requires the capacity of all industries in the country to pay to be comprehensively considered. The Committee rejected the first view as being too narrow and the third view as being too broad; and it accepted the golden mean and came to the conclusion that the capacity of a particular industry as a whole should be taken into account by an Industrial Tribunal which is entrusted with the task of raising a wage structure in a given industry. It must also be pointed out that the same view has been taken by the Bombay Textile Labour Enquiry Committee and that the examination of important awards of Industrial Tribunals and Courts in Bombay, Madras, and Bengal indicates that the Tribunals and Courts were also inclined to examine the profit-making capacity of an industry with a view to decide whether the industry can bear the burden of certain additional expenses. If, in dealing with industries other than banking, the basis for determining the capacity of the industry to pay has been the basis of a region, and not the basis of the capacity of an individual unit in the trade, it may be open to doubt whether there is anything special in the banking trade or business which justifies or necessitates a departure from the said practice. I am, therefore, inclined to take the view that the region-wise approach, which is generally adopted in dealing with disputes in industries other than the banking industry, supports the argument that, when disputes arise between inter-State banks and their employees which raise general issue about the wage structure and the

dearness allowance, they might be more rationally decided on the basis of a class-wise approach. Criticism against a particular classification and opposition to undesirable results flowing from such defective classification has no relevance to the decision of the theoretical question as to whether the class-wise approach itself is desirable or not. If a particular classification is defective and it has consequently led to hardship, the solution lies, not in abandoning the class-wise approach, but in attempting to construct the classes on a more rational and satisfactory basis.

73. In considering the classification of banks, it becomes necessary to decide whether deposits made with the foreign branches of Indian banks should be taken into account while determining the status of the banks. It also becomes necessary to consider whether the net profit made by the foreign branches of Indian banks should be taken into account in deciding their capacity to pay. I am disposed to think that it would not be right to take into account the foreign deposits in determining the status of an Indian bank. On the other hand, I think it would not be right to exclude from consideration the net profits made by the foreign branches of Indian banks in determining their capacity to pay. It is necessary, in this connection, to remember that the net profits are made, not by an associate bank, but by a branch of the bank, and that the balance-sheet and the profit and loss account that are presented by such a bank from year to year cover, not only the branches of the bank in India, but also the branches of the bank outside India. In other words, the bank as a whole is one entity and it is made up of all its branches wherever they may be situated. If a foreign branch suffers a loss, it would be entitled to call for assistance from its parent body in India. If that is so, the net profits made by the foreign branches must come back to the parent body and cannot be ignored when the capacity of the parent body to bear the burden of any award is in dispute. The question as to the net profits made by the foreign branches of an Indian bank would be relevant and material in dealing with the cases of some of the Indian banks to which I will refer in a subsequent portion of my report.

74. In the present enquiry, I have found that there are some banks that need special individual consideration, and so the problems raised by these banks would be dealt with separately. These banks are the displaced banks, banks that claim to have now become one-State banks, that have entered into agreements with their employees, the United Bank of India, Calcutta, the Indian Bank, Madras, the Bank of Bikaner and the Jodhpur Commercial Bank. Besides, I propose to deal with the problem of banks in Travancore-Cochin separately by itself.

75. I have discussed earlier the rationale of class-wise or bank-wise adjudication in respect of the dispute in the banking industry. Although the Industrial Dispute Act, 1947 classified banking as an industry, in essence it is financial service rendered to the community. This difference is vital to the present dispute in that it is even more difficult to measure productivity of labour and to correlate it to

wages in a service industry such as banking than it is in secondary industry, where there is at least an approximately basis of measurement afforded by physical output. The efficiency and productivity of bank labour are composed of diverse elements such as accuracy of work, courtesy and promptness in service, which by their very nature cannot be measured and compared. This makes the problem of wage fixation and adjudication in banking relatively difficult though not intractable. Before wages can be awarded to bank workmen the earning capacity of each unit must be judged because it varies from bank to bank depending on resources, size and number of branches and the skill of management. But adjudication of wages on the basis of individual units, as I mentioned earlier, would lead to a complex wage structure which would generate discontent among employees of banks with similar standing but having a difference in their earning capacity. For this reason the approach, as I have emphasised above, which seems to be more reasonable, is the class approach, for after all banks of comparable standing and resources should be able to meet a given wage structure and if some of them cannot do it the fault very probably may lie in the deficiency of the management. This course of action would not handicap or favour particular banks belonging to the same class and the sense of equal treatment would satisfy labour. When I tried to apply this approach to the different classes I was satisfied that in the case of A and B class banks it would result in fair treatment both to employees and employers. Banks in these two groups also pleaded for a class-wise treatment. But when I came to C class banks the difficulties of class approach became glaring. With the narrowing of class resources as in the case of C class which consists of banks with resources of Rs. 1 crore to Rs. 7½ crores, I found that differences in standard of management made for sharp variations in earning capacity. Two banks, one with resources of Rs. 2 crores and another with Rs. 3 crores differed in their capacity to pay. Most of such banks are started by local enterprise and have a wide network of branches whose operating unit is very small. The clientele also consists of middle-class savers, petty traders and small industrialists. The C class banks, therefore, are, in my opinion a mixed bag and applying class approach to them would have resulted in hardship to several banks. In order to accommodate the smaller ones if the wage structure were to be fashioned to suit them, it would react adversely on the employees of bigger and better managed banks in the same class. The converse would also result in hardship to some class. I was, therefore, impressed by the unsuitability of class approach in the case of C class banks as the class is constituted at present. A majority of banks in this class too pleaded that I should consider the case of each bank on its own merits. Accordingly I have decided to consider the case of banks in C class on bank-wise basis. I believe this approach is fair both to employees and employers and is besides in accordance with the wishes of a majority of banks. The problem of D class banks is largely limited to the concession of exemption granted to branches in Part B and Part C States other than Delhi, Ajmer and Coorg and I propose to deal with it as a separate issue applying to all banks.

76. Another important consideration in regard to capacity to pay was that of the basis for measuring it. It is hardly necessary to emphasise that the concept of capacity to pay is a function of

several variables not all of which can be controlled by the policies of an individual bank. Notwithstanding this I thought that it would be better to apply some objective criteria, though they may not be perfect, to judge the capacity of banks to pay and in making final assessment keep in mind the uncertain factors in the situation. Accordingly the following criteria were applied in assessing the position of individual banks.

77. Although age is only remotely related to the question of capacity to pay which, it may be argued, must be solely judged on the earnings of a bank, it has an important bearing on the structure of a bank which is relevant to the issue before me. I have found that many of the older banks have been able to build adequate reserves which are equal to or exceed their paid-up capital, but in the case of younger banks the reserves have been invariably below paid-up capital. In the case of these banks I had to make allowance for building up further reserves. The size and composition of capital and reserves were also relevant to the problem inasmuch as they constitute 'owned funds' and a guarantee to depositors for the ultimate safety of their money. In the case of bigger and older banks capital and reserves as a proportion of deposits were smaller, while in the case of smaller banks they were larger. In the first instance, the smallness of the proportion could not be regarded as a weakness as the banks concerned had a long standing and reputation for sound management. In the latter case the high proportion was in fact an indication of the weakness of banks and their inability to attract deposits. In their case also reserves were scanty and much below paid-up capital. Where it seemed that an attempt to rehabilitate them was being made under official guidance, it appeared to me that additions to their reserves would be a helpful factor. I had also to consider the proportion of reserves to paid-up capital, because when they were below paid-up capital, under section 17 of the Banking Companies Act a bank was required to transfer to reserves annually, before any dividend was declared, 20 per cent. of its net profit until such reserves were equal to paid-up capital. In the case of those banks whose reserves already exceeded paid-up capital and they themselves made no provision for published reserves, inner reserves if any and annual provisions for such reserves were taken into account in judging their strength and need for further provision in the light of their experience with risk-bearing assets in the past. Besides attaching importance to the size of capital and reserves, the Commission considered the frequency, magnitude and reasons for withdrawals from reserves where such withdrawals were made. Where provision was made for bad and doubtful debts and for depreciation in investments by direct debit to profit and loss account, the extent of such provision and its frequency were also noted. The underlying intention for such scrutiny was to give due weight to the quality of assets and management; of course, allowance was made for the normal risks of business. Since the figures of depreciation in investments and bad and doubtful debts were collected, these were set off against reserves to find out the size of 'free' reserves of banks.

78. The figure of working capital and its composition were collected by the Commission with a view to finding the trend of bank

resources as also cost of obtaining such resources. The fact that in recent years there was a fall in the working capital of banks and its composition was changing in the direction of an increasing proportion of fixed and saving deposits to total deposits was taken into account in judging the future trend. This together with the trend in interest rates on deposits and advances was used for estimating the course of future earnings. The Commission also collected the figures of gross earnings and expenses, the former without deduction for bad and doubtful debts and for other usual necessary provisions. Since a great deal was made of these deductions, particular care was taken to see if any bank was making an excessive provision for inner reserves and thereby showing smaller published gross earnings and net profit. Where gross earnings were declining, reasons for such decline were studied. On the expenses side detailed study was made of the components of expenditure and where sharp increases were noticed banks were questioned to explain the rise. Where the Commission noticed that banks were indiscriminately offering higher rates to attract deposits from other banks, or that other expenses were high on account of laxity of management, a note was made of these things while assessing the capacity of those banks. The size of net profit and appropriations therefrom were studied in the case of each bank; arising from this the Commission also made a study of the dividend policies of banks to see if the policies were appropriate or imprudent.

79. Since it was apprehended that implementation of the Labour Appellate Tribunal decision would lead to closure of branches and curtailment of banking facilities, the Commission devoted one whole section of its questionnaire to this problem. It was alleged that the closure of branches in recent years was the direct result of the awards. Banks were asked to classify branches which were closed according to the main reason for closure. The study was carried further to see the impact of the Labour Appellate Tribunal decision on the branches of individual banks.

80. As will be seen from the above, the Commission took great care in making a complete study of each bank before it assessed its capacity to pay. To make the assessment as objective as possible, the Commission collected from banks information in regard to the increase in the establishment charges of workmen over a period of three years, upto 1957. It may perhaps be permissible to say that the terms of reference of the Commission did not expressly require this and the Commission may have legitimately based its conclusions on the operations of 1954, but in fairness to banks and in the interests of the safety of banking, the Commission wanted to be doubly sure of its conclusions by stretching the study over a period. Two other considerations that weighed in the mind of the Commission were that the maximum life of an award under the Industrial Disputes Act is three years and that deductions in the emoluments of a class of employees covered by the provisions in clause 3(g) of the Government modified decision should also be spread over three years. Banks were asked to fit each employee into the appropriate scale under the Labour Appellate Tribunal decision as well as the Government modified decision and give the

Commission the figures of increase in the establishment charges year by year. They were also asked to give information in respect of provident fund, pension fund and gratuity. In regard to gratuity the Commission requested banks to take into account the amount to be paid on the basis of possible actual retirement of employees in these years. The additional burden in the case of each bank which resulted from the consolidation of these three components was correlated to its earnings and expenses.

81. In doing this the Commission was confronted with the difficulty that it was not possible to know as to what would be the **Selection of base earnings of banks in future years; would they be year for mea- upward or downward or stationary? In view of surement of the difficulty of projecting the earnings of banks, earning.** the Commission decided to relate the increase in the burden to actual earnings in the past. There were two phases in the earnings of banks, one upto 1950 and the other from 1951. The gross earnings increased sharply in 1951, rose further in 1952 but declined in 1953. But these were not normal years in the sense that the effect of the Korean War boom was reflected in the earnings of 1951 and 1952 (this because the busy season of one year spills into the other); similarly the changes in the monetary policy introduced in 1951 and the recessionary tendencies which developed here and abroad in 1952-53 were reflected in the earnings of 1953. In addition in these years the declining trend of deposits had persisted. The year 1954 was the first year in which the banking system could be said to have worked under normal conditions when the impact of the Plan on the resources of banks was for the first time becoming visible. The deposits of banks had started rising in the early part of the year. The Commission, therefore, had the choice of taking an average of 1951, 1952 and 1953 or adopting the figures of 1954. The first course suffered from the drawback that the average would reflect the abnormal conditions which existed in those years; the second, it might be argued, would be too short an experience to base long-term conclusions. The Commission, however, decided to adopt the second course on the ground that it was the first normal year when banking seemed to have readjusted itself completely to the changed situation and in which the effect of the Plan was reflected. In view of the commitment of the country to raise the rate of investment to a planned figure and for this purpose, to resort, if necessary, to deficit financing, the Commission felt that it would not be wrong to assume that the resources of banks would increase in the next two or three years and, therefore, their earnings would also increase. In any case the experience of banks in the next two or three years would not be worse than that of 1954.

82. To make its approach more firm, the Commission consulted some economists and they appeared to be of the opinion that the **Confirmation by earnings of banks in the next two or three years economists and would not be lower than what they were in 1954. bankers** I asked a similar question to bankers and the consensus of opinion seemed to be that the expectation of banks was that their earnings would not go below those of 1954 and possibly may be slightly upward. It was, therefore, decided that the earnings of banks in 1954 should be taken as the basis for

measuring the possible impact of the increasing burden of establishment charges under the Labour Appellate Tribunal decision and the Government modified decision. Accordingly the Commission projected the items of expenditure of banks from 1954 to 1957 on the basis of information supplied by them and keeping as far as possible the appropriations from net profit on the same basis as in the past excepting in the case of bonus to employees which it was presumed would be payable from the residue, if any. Of course, there are two changes which followed such projection; firstly, where net profit declined the amount of provision for taxation was reduced; secondly, where banks were required to make provision for reserves under section 17 of the Banking Companies Act, the amount of provision declined with the decline in the net profit. It should be remembered that since the earnings were taken as stationary and expenses were shown as increasing, the net profit was bound to show contraction from year to year. An estimate made on this basis could not be treated as anything but approximate and this fact was kept in mind in making the final assessment. If as a result of projection it appeared that the bank would not be confronted with a deficit, *prima facie*, it had the capacity to pay. Where the deficit was of a small order the assumption was made that the bank may be able to cover it by the possible increase in its earnings provided it appeared from its past record that its resources would grow following the implementation of the Plan. Where the deficit appeared to be too large from the very beginning of the implementation, the conclusion was that the bank would be unable to bear the additional burden of establishment charges as per the Labour Appellate Tribunal decision. In such cases my view was that I should not disturb the existing arrangement under which the bank had implemented the Government modified decision.

83. As said earlier the Commission collected from banks information bearing on all aspects of their operations. **Executive costs and dividend policy considered** When these figures were studied, it struck me that there were two aspects of the problem which needed reorientation. It was found that in the case of bigger banks and even some smaller ones, the remuneration paid to the top executives was out of proportion to the remuneration paid elsewhere for jobs of comparable responsibility. Apparently the high remuneration paid to the executives was justified in the conditions that existed in this country before some years. The question which I had to consider was whether in the context of the changed objectives of State policy there would be any justification for payment of such high remuneration for skill which by no conceivable standard could be regarded as rare. Secondly, banks in India, unlike the British banks which had virtually observed a dividend freeze between 1930 and 1952 were quick in passing on to their shareholders the extra profits which they had earned during the war period. Barring a few banks, most big banks raised their rates of dividend during the war and post-war years, although it should have been apparent that profits made under inflationary conditions may not continue when the economy returned to normalcy. It was also patent that during these years the wages of workmen were not fully adjusted to the rise in the cost of living and with the awakening among labour the demand for fair wages was bound to come sooner or later. Moreover dividends were increased in a period

when Government itself was following a cheap money policy with the result that, being treated as near gilded securities, every increase in dividend brought to the shareholders of bank shares a handsome capital gain. It appeared to me that if the commitments to shareholders which were based on profits made during an abnormal period must not be disturbed and if the high remuneration paid to the executives during a regime which no more existed were to be protected, then other things remaining the same, it would be very difficult, if not impossible, to improve the standard of living of the workers. One of the pleas which was strongly put forth by bankers was that if the establishment charges were to increase, banks may be forced to reduce the dividend. Although I recognise the practice of bankers to maintain a stable dividend, claims in support of that practice must be backed by equally conservative dividend policy. The resistance of leading bankers to pay a fair wage to employees appears to stem from their desire to protect the structure of executive costs and remuneration to capital based on conditions which no more existed. With the adoption of the objectives of a socialistic pattern of society, there is a *prima facie* case for bringing about a redistribution of earnings between capital, executives and labour.

84. In this connection some bankers advanced the plea that if banks were forced to reduce the dividend that would affect the confidence of depositors and have adverse repercussions on banks. I have considered this plea very carefully because it is far from my desire to affect the stability of banking. Banks may be forced to reduce dividend because of a fall in net profit; this may result from either reduced earnings or business losses or increasing expenses. To the extent to which the net profit has declined on account of business losses or reduced earnings and increasing expenses resulting from inefficiency of management, it is understandable that since this would reflect on the quality of management the depositor may become wary about the safety of his deposits. If on the contrary the management of the bank is sound but expenses are increasing because of statutory increases in wages and the bank is required to cut down its dividend, I do not see why the depositor should think that his deposit would be unsafe. It is true that if the increase in expenses is so much as to overtake the earnings of banks the confidence of the depositor may be shaken. Such an eventuality is an extreme case and not relevant to the problem before me. I do not, therefore, think that if payment of fair wages results in slightly lower profits the confidence of the depositors would be shaken and the banking system affected. I am aware that it would be more pertinent if it was argued that no fresh capital would enter the banking industry if profits and dividends decline. But in the conditions of to-day what is needed is not further expansion of banking in the sense of establishment of new units but consolidation of existing banks. In fact if consolidation of banking could be brought about the expansion of banking facilities into the interior which is so much desired to-day could be based on a more stable foundation. I discussed this question also with some of the leading economists and they were of the same opinion. Moreover, if the choice is between paying fair wages to employees.

Would reduction of dividend necessarily affect depositors' confidence?

and slightly reducing dividend to shareholders, I have no doubt that claims to fair wages should have priority over dividend in this limited sense and to this limited extent. In saying this it is not my intention to suggest that capital is not entitled to a fair return. When, however, the dilemma is between paying a little more to capital and a little less to labour, the relative criteria of fairness must change in favour of the economically weak. This I believe to be the essence of a socialistic pattern of society and the very basis of all social and economic legislation.

85. The poser in the foregoing paragraph, I believe, is of only theoretical importance. In actual practice I have no doubt that banks will be able to devise measures to increase their earnings. When the question of the possibility of increasing earnings was put to a leading banker, his reply was that banks in India could certainly increase their earnings because in his opinion the banking service in India was the cheapest compared to many other countries. This view finds support in the speech of the Chairman of the Indian Banks' Association at the Eighth Annual General Meeting in March 1955. He says, "To off-set to some extent the all round rise in costs, I believe it is necessary for banks, also to raise the interest rates on their advances wherever possible. While the rates of Government borrowings have risen to 4 per cent from 2½ per cent., I think the rates charged on advances have not been raised commensurately. It is praiseworthy that banks have tried their utmost to keep them as low as possible with a view to help the country's economy, but I feel that the time has now come when a part of the all round increase in the costs will have to be transferred to and borne by their constituents, viz., the depositors, the borrowers and the public that are served by the banks. . . ."

86. The further suggestions made by the Chairman in the same speech deserve, I think, very serious consideration by the Indian bankers. Said the Chairman: "I should like also to stress the need for levying reasonable service charges for the numerous services that banks have been rendering to clients upto recently almost gratis. A banker does not like to charge his constituents for some of these services if he can help it, but considering the increase in costs which are mandatory and over which he has no control, I think he should now try to reimburse himself by levying a charge that would compensate him for the cost involved in rendering the service. If he will not do so, I fear that a time may come when it will be difficult for him to continue rendering some of these services to his constituents, and I think that rather than be without such services constituents would prefer paying for them. In my opinion, the cost of cheque books, paying-in-slip books, pass-books etc. should be charged for by the banks and, particularly in respect of accounts which do not keep credit balances sufficient to compensate the servicing of them, an adequate service charge considering the turnover involved should be made. I am told that in America service charges are quite usual, but I know that Indian banks are reluctant to make such charges on a large scale, as they feel that banking in India is still very much under-developed, and this may retard the development of the banking habit".

87. I discussed the question of increasing advances rates and levying service charges with some economists. In regard to service charges they seemed to feel that if the expenses of banks increased they would be fully justified in levying or enhancing service charges to their constituents. As regards advances rates the opinion was divided, some agreeing that if the costs of a service like that of banking increased, obviously a part of the increasing burden must be borne by the community. Others thought that they would prefer a small reduction in the dividend rate rather than an increase in the advances rates, as a rise in the interest rates might adversely affect enterprise. When it is suggested that perhaps banks could increase their earnings through a rise in advances rates, it is not intended to say that they should find all the money through that source only. What I have in mind is that banks should try to add to their earnings in many ways, one of which would be a slight increase in the advances rates. My calculations show that if banks were to put up the advances rates even by one-eighth or one-fourth of one per cent, the increased earnings would help meet a substantial part of the increase in the burden, the remainder being found through service charges and rising resources. *Suggestion of these methods need not be taken to mean that I have taken into account increase in earnings through these sources for meeting the increased established burden under the Labour Appellate Tribunal decision.* My purpose in referring to them is to show that in case the normal increase in earnings which would take place under the impact of the country's development does not materialise, then banks should fall back upon these sources for meeting the rising burden. It was pointed out to me that banking in this country is a highly competitive industry and no one bank could act unilaterally. I suppose this difficulty is fully assumed in the fixation of wages for classes of banks which normally compete among themselves. Despite this if banks in the same class react differently to a uniform increase in wage burden, those which feel handicapped must look to improving their efficiency to a level comparable to that of others in the same class.

88. Another method of dealing with the increasing burden of establishment charges is to effect economy in the expenses of banks. It was the opinion of most banks that the only item in which some reduction in expenses could be made was in the burden of interest charges on deposits. If the rates could be reduced there would be considerable saving to banks, but so long as the force of free competition exists, the banks argued that no unilateral action was possible for fear of losing deposits. Everyone felt that concerted action would yield results but no one saw any prospects for such action. An attempt in this direction by the Indian Banks' Association in the past had failed. I am aware of the difficulties of bringing about an agreement in regard to deposit rates among banks of varying size and standing, but I fail to see why in their own self-interest banks belonging to particular competing groups cannot agree among themselves on the ceilings for these rates. If, however, such an agreement is not voluntarily possible it may become necessary for Government to consider whether they can regulate the deposit rates for banks. In this connection bankers also complained to me

that they had to face competition not only from sister institutions but from Government as well. The various loans floated by the Central and State Governments and the savings schemes sponsored by the Government of India offered more attractive rates to investors. In some cases the added attraction is that income from such investment is tax-free. Government competition, they said, has not only diverted deposits from banks but has made it impossible for banks to lower the rates of interest from the existing level. But it appears that the problem of deposit rates is essentially one of inter-bank competition because to a large extent bank deposits (savings and fixed) cannot be regarded as a competing alternative to investments in Government securities and small savings for several reasons. Firstly, Government securities and small savings are investments out of genuine savings, whereas time deposits of banks are repositories of temporarily idle business funds or of individual savings awaiting investment. Secondly, higher yield on small savings can be obtained only if they are held to maturity and for a period comparable to, say, that of fixed deposits, the yield on small savings may be much lower; nor is the tax-exempt character of these investments a decisive advantage to small depositors and investors who may not be liable to income-tax. The advantage of easy encashability of small savings is off-set by the borrowing facilities usually available to holders of fixed deposits. It is significant that bigger and sounder banks have been able to get savings and fixed deposits at lower rates which are also not tax-free. The convenience of banking service is an attraction which the depositor values and, therefore, I do not think that for the present any special action is called for in regard to the rates offered by Government.

CHAPTER VI

PRELIMINARY QUESTIONS IN REGARD TO THE IMPLEMENTATION OF THE LABOUR APPELLATE TRIBUNAL DECISION

89. In this chapter I propose to consider some preliminary questions. I will first take the question of dearness allowance. I shall preface my examination of the dearness allowance schemes adopted by the Sastry and Labour Appellate Tribunals by a few general observations on the question of dearness allowance on account of its important character in the existing context. In a sense, the present enquiry hinges largely on the question of adequacy or otherwise of the dearness allowance paid to bank employees. What is important to the wage earner or the salaried employee is not so much the amount of money he receives by way of remuneration as the quantity of goods and services which he can purchase with that money. The latter represents his real wages. When economic conditions change the quantity of goods and services he can obtain for a given amount of money also changes. He obtains less or more as prices rise or fall. It becomes necessary, therefore, to adapt labour incomes to the general economic situation in order to maintain existing standards of living. In a situation when prices are rising this could be done either by adjustments of wages or the grant of a special allowance to compensate for the rise in prices. The question of dearness allowance thus assumes considerable importance from the employee's point of view.

90. The practice of paying dearness allowance as such is more or less particular to India. In other countries the practice generally is to step up wages to compensate workers for any increase in cost of living. In Australia, for example, till very recently the basic wage consisted of a 'needs' basic wage which was periodically adjusted according to the cost of living index and a 'prosperity' loading. The automatic adjustment of the 'needs' basic wage helped to stabilise the purchasing power of employees. The principle of such automatic adjustment, however, has now been abandoned in that country. In New Zealand, the Economic Stabilisation Emergency Regulations require the Arbitration Court to take into consideration when fixing wage rates for any class of workers certain economic factors including the rise or fall in the retail prices. In the United Kingdom, collective agreements in a number of industries provide for the automatic adjustment of wage rates on a pre-arranged basis, in accordance with the changes in the average level of working class cost of living as indicated by the official index figures. These sliding scales, first introduced towards the end of the World War I, were extended to many more industries during the Second World War. Recently there has been some shift in policy in this regard. The Treasury has now decided that additions to pay on account of higher cost of living where it

is a temporary phase should preferably take the form of a temporary allowance. On the other hand the sliding scale based on the cost of living has recently become increasingly common in the U.S.A.*

91. The sliding scale leads to and helps to maintain inflation for, on the one hand higher wages increase production costs and on the other, workers' higher incomes increase demand and help to raise market prices. Rising prices necessitate further wage increases and so a cumulative process is evolved which precipitates inflation to such an extent as to necessitate, because of its adverse effect on the entire economic and social structure, the adoption of measures to fight it on all fronts, in particular, by the abandonment of the sliding scale itself. A sliding scale, linked to cost of living developments can at best do no more than preserve the wage earner's purchasing power; it cannot increase that purchasing power to the extent that would be in keeping with economic progress.†

92. In India, the practice of paying dearness allowance originated during the First World War when the cotton textile workers in Bombay and Ahmedabad demanded compensation for the rise in the cost of living. During the Second World War, such demands were more common and more insistent. The findings of the Rau Court of Enquiry regarding dearness allowance for railway employees caused a spurt of demand for dearness allowance all over the country. Towards the close of the war and during the immediate post-war years the grant of an adequate dearness allowance was very frequently an issue in industrial disputes and the labour judiciary in the country has from time to time discussed it almost threadbare.

93. The systems of dearness allowance generally recommended by Adjudicators may be classified into two broad categories: (1) those not linked to cost of living index numbers and (2) those linked to cost of living index number.‡ Under the first category may be mentioned the dearness allowance schemes applicable to most of the industries in West Bengal and some of the small scale industries in other States. These industries pay dearness allowance to their workers at a flat rate unconnected with changes in the cost of living. For instance, the workers of the cotton and jute mill industry in West Bengal are granted dearness allowance at a flat rate of Rs. 30 and Rs. 32-8-0 p.m. respectively. A variant of this system whereby the dearness allowance paid is varied according to income groups is also in vogue. Under this system the amount of dearness allowance increases with each slab of salary increase, but the proportion of dearness allowance to the salary goes on diminishing. This is generally on the lines of the formula recommended by the Central Pay Commission. The

* I.L.O. Methods of Remuneration of Salaried Employees, April 1952, p. 79.

† *Ibid* p. 80.

‡ Industrial Awards in India. An Analysis, pp. 31—34.

Central Pay Commission's formula had also provided for adjustment of the allowance to changes in the cost of living index numbers but this has been ignored by most of the Adjudicators. Under the second category, three schemes of regulation of dearness allowance may be mentioned, namely:

- (a) flat rate of dearness allowance irrespective of income groups;
- (b) dearness allowance linked to cost of living index numbers on a scale graded according to income groups; and
- (c) dearness allowance linked to the cost of living index numbers but at rates diminishing as the index rises.

(a) is typical of the method followed by the textile industry in Bombay, Madhya Pradesh, Madhya Bharat and the South. According to it, a certain rate of allowance is fixed for the rise of every point above the index number for the base period. This has the effect of giving the same dearness allowance to all the workers irrespective of their income which means the grant of a higher proportion of the wage as dearness allowance to workers in the lower wage groups.

94. The Central Pay Commission's scheme of dearness allowance shown below is typical of the scheme linked to cost of living and graded according to income groups:

Pay Range	Index	280	260	240	220	200	180	160
Upto Rs. 50 .		30	25	20	15	10	5	..
Rs. 51—100 .		40	35	30	25	15	10	..
Rs. 101—150 .		45	40	35	30	18	..	..
Rs. 151—200 .		55	45	35	30	20	..	..
Rs. 201—250 .		60	50	40	30	20	..	..
Rs. 251—300 .		75	60	45	30	25	..	..
Rs. 301—500 .		85	70	55	40	25	..	..
Rs. 501—750 .		105	85	60	40	..	..	..
Rs. 751—1,000		125	100	75	50	..	..	..

95. Generally speaking, two main considerations have governed the grant of dearness allowance, namely, (i) the extent of neutralisation aimed at; and (ii) the capacity of the industry to bear the financial burden (i) has generally been dependent on (ii).

Considerations governing the grant of dearness allowance

96. Perhaps the most controversial point in regard to the grant of dearness allowance is the extent of neutralisation of the rise in the cost of living to be allowed. The recommendations of the Central Pay Commission in this regard have had a profound influence in subsequent adjudications on the subject. The Pay Commission observed as follows: "We are of the opinion that for the classes whose pay only enables them to live on the marginal level in normal times, the allowance must be so fixed as to neutralise the

rise in prices. Some of the upper grades too will require a measure of relief.”* The Fair Wages Committee agreeing with the view of the Central Pay Commission recommended 100 per cent. neutralisation of the increase in the cost of living for the lowest categories of wage earners and a lower rate of compensation for categories above the lowest.†

97. One of the chief criteria followed by Adjudicators and Tribunals in fixing a particular rate of dearness allowance and in determining the extent of neutralisation has been the ability of an industry or unit concerned to bear the financial burden of the dearness allowance awarded. In an award of the Bombay Industrial Court in 1940, it was observed: “.....The workers would not be entitled to a rise to the full extent of the rise in the cost of living unless it could be shown that industry has benefited to a corresponding extent by the very contingency which has occasioned the rise.” In awarding dearness allowance estimated to compensate the workers only to the extent of 66½ per cent. of the rise in the cost of living the Court observed: “the working condition of the industry.....cannot be said to justify a rise in the wages of the workers in the same proportion as the rise in the cost of living.”

98. In view of the glaring anomalies brought to its notice in the application of the Sen formula of dearness allowance the Sastry Tribunal rejected the Sen Tribunal's scheme and favoured a scheme allowing for a flat rate of dearness allowance on a percentage basis, i.e.,

33½ per cent. of basic pay subject to a maximum and a minimum. In its view the range of basic salary of bank employees was not wide enough to warrant the adoption of a complicated dearness allowance structure, with provision for varying percentages of basic pay according to income groups. The Sastry scheme also provided for the adjustment of the rates of dearness allowance according to variations in the cost of living index. In this regard the Tribunal linked its scheme of dearness allowances to the average all-India working class cost of living index number compiled by the Labour Bureau of the Government of India with base year 1944=100. The average all-India index was 144 for 1951 and the Tribunal recommended that the rate of dearness allowance for half years commencing from July 1953 to December 1953 onwards should be linked to the rise or fall in the average all-India index for each half year in such a way that if the average figure for January to June or July to December of each calendar year should rise or fall by more than 10 points over 144, the dearness allowance for the succeeding half year should rise or fall by 7½ per cent. of the basic pay.

99. The formula of dearness allowance proposed by the Sastry Tribunal, though simple in design, suffered from the defect that the rate of compensation was the same for all categories of employees within certain limits of the basic pay, which were Rs. 105 to Rs. 210 for area 1, Rs. 90 to Rs. 180 for area 2 and Rs. 75 to

* Report of the Central Pay Commission (1947), p. 46.

† Report of the Committee on Fair Wages (1949), p. 33.

Rs. 120 for area 3. Thus quite a big slice of the basic wage structure was subject to a flat rate of dearness allowance. Here the Tribunal departed from the fundamental principle advocated by the Fair Wages Committee that there should be 100 per cent. neutralisation of the increase in the cost of living for the lowest categories of wage earners and a lower rate of compensation for categories above the lowest.

100. The Labour Appellate Tribunal's scheme of dearness allowance has a more complicated structure than the Sastry scheme and it is more favourable to employees as, on the one hand, it allows for a higher degree of compensation at lower levels of basic pay, and on the other, the quantum of dearness allowance is much higher under it than under the Sastry scheme as will be seen from the table below:

Area	Maximum D.A. under the Sastry Scheme	Range of basic pay under the Sastry scheme for which maximum D.A. shown in column 2 is admissible	Basic pay at which the D.A. shown in column 2 is admissible under the L.A.T. scheme	D.A. admissible under the L.A.T. scheme* for the basic wage shown in column 3
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
1	70	210—280	150	93—8—0 to 118
2	60	180—245	143	73 to 93—8—0
3	40	120—227	100	46 to 76—12—0

101. The Government Modification of the Appellate Tribunal decision restored the Sastry scheme of dearness allowance mainly on the ground that the Appellate Tribunal's scheme might prove too heavy a burden on banks. Such estimates of the additional burden and such assessment of the paying capacity of the various classes of banks as I have been able to make, however, indicate, as I have shown elsewhere in the report, that except in the case of some banks in C class, the additional burden under the Labour Appellate Tribunal's scheme would not after all have been too onerous and that the rejection of the Appellate Tribunal's scheme of dearness allowance was not fully justified.

102. The formula of adjustment for variations in the cost of living index given by the Sastry Tribunal was no doubt intended to provide a base for neutralisation of the rise in the cost of living with reference to a constant level of the all-India index, but this purpose could not obviously be achieved at points in a wage scale below which the minimum dearness allowance or above which the maximum dearness allowance was admissible. Hence some anomalies, such as the grant of a higher dearness allowance

*Subject to the all-India index remaining between 135 and 153 (1944=100)

to lower paid employees would have arisen if the average all-India index for any half year had varied by more than 10 points as compared to the level of 144 (1944=100). The Labour Appellate Tribunal changed the Sastry structure of dearness allowance, but retained its formula of adjustment intact. I have found that this has led to even more serious anomalies than would have resulted from the application of the Sastry scheme of dearness allowance. It will be noticed that neither the Sastry Tribunal nor the Labour Appellate Tribunal has given any indication in its report of the point of time or the level of the index to which its basic wage structure has been related. Consequently, it becomes difficult to work out the degree of neutralisation of the rise in the cost of living which each of these formulae leads to. The only course open in the circumstances is to work the adjustment formula backwards and find out the level of the index at which dearness allowance is reduced to zero. For example, taking the case of clerical employees in A class banks in area 1, for whom the starting basic pay is Rs. 85 and the dearness allowance is Rs. 50, it will be seen that if the dearness allowance is reduced by $7\frac{1}{2}$ per cent. of the basic pay for each fall of 10 points from the all-India index level of 144 (1944=100), the dearness allowance will be zero at an index level of 64. A similar analysis of the figures of dearness allowance at other points in the basic wage scale shows that the dearness allowance becomes zero at different levels of the cost of living index as shown in the table below:

Cost of living index at which dearness allowance is reduced to zero

Class of banks	Stage of Service	Area 1	Area 2	Area
A . . .	1st year	64	64	64
	13th year	74	84	94
	25th year	84	84	94
B . . .	1st year	54	54	54
	13th year	74	84	84
	25th year	84	84	94
C . . .	1st year	44	44	54
	13th year	74	84	84
	25th year	84	84	84
D . . .	1st year	54	64	74
	13th year	94	94	94
	25th year	94	94	114

103. Taking the above indices as starting points the Labour Appellate Tribunal formula was subjected to the essential test of the neutralisation it affords for the rise in the cost of living and it was found that it led to the following anomalies:

- (i) A rise in the percentage of neutralisation with the rise in the length of service of clerical employees.
- (ii) A higher quantum of dearness allowance for employees in receipt of lower basic pay, especially at the lower levels of the cost of living index. For example, at an index level of 84 an employee of an A class bank in the first

year of service would get Rs. 11:75 as dearness allowance, while one in the 13th year of service would get only Rs. 2:2. Again, an employee in the first year of service in a C class bank in area 1 would get a dearness allowance of Rs. 13:78 at an index level of 74, while one in the 13th year of service or 25th year of service would get no dearness allowance at all.

104. Both (i) and (ii) are opposed to sound canons of neutralisation which are that the rise in the cost of living should be neutralised to a higher extent for an employee in the lower income bracket, though the quantum of dearness allowance may be less in his case.

105. I have bestowed considerable thought on this question. There is, in my opinion, *prima facie*, no justification for linking the Labour Appellate Tribunal dearness allowance formula which is otherwise unexceptionable to a method of adjustment which leads to anomalies. I feel at the same time that whatever alternate formula may be devised, it should have the merit of interfering as little as possible with the Labour Appellate Tribunal wage structure and of ensuring results not significantly different from those achieved by the Labour Appellate Tribunal formula. I accordingly recommend the following formulae for adjustment of dearness allowance:

Clerical staff

If the average all-India cost of living index for the half year ending June or December of any year should rise or fall by more than 10 points as compared to 144 (1944=100), the dearness allowance for the succeeding half year will be raised or lowered by one-seventh of the dearness allowance admissible at the index level of 144 for each variation of 10 points.

Subordinate staff

If the average all-India cost of living index for the half year ending June or December of any year should rise or fall by more than 10 points as compared to 144 (1944=100), the dearness allowance for the succeeding half year will be raised or lowered by one-tenth of the dearness allowance admissible at the index level of 144 for each variation of 10 points.

I would like to add in this connection that I consulted both bankers and employees in regard to the two formulae for adjustment of dearness allowance which I have just recommended. Employees, on the whole, agreed with my formulae, whilst there appeared to be a difference of opinion amongst bankers on this point.

106. In examining the incidence of the above two formulae I have been guided mainly by the consideration that in the foreseeable future the all-India cost of living index is not likely to drop to a level below 125 (1944=100), which corresponds to an index of 325 on pre-war base. The Second Five-Year Plan contemplates deficit financing to the tune of Rs. 1000 crores. The Panel of Economists ap-

Practical considerations

pointed by the Planning Commission felt that "a bolder Plan with an emphasis on employment and heavy industries has inevitably a large inflationary potential". I am advised that for some years to come the all-India index may probably fluctuate between 125 and 150 (1944=100). It may, therefore, be adequate for our purposes to allow for one adjustment downwards and one upwards in calculating the incidence of the new formula of adjustment. These adjustments will cover an index range of 125 to 163 (1944=100) or 325 to 424 on pre-war base.

107. The table on page 66 & 67 compares the dearness allowance admissible for clerical and subordinate staff in A, B, C, and D class banks separately at index levels of 134 and 154 respectively according to the adjustment formula of the Labour Appellate Tribunal and the adjustment formulae recommended by me. The resulting differences are very small. For A class banks as a whole, the difference is less than 1.5 per cent. of the dearness allowance admissible at an index level of 144. The differences are less for B and C classes of banks being of the order of only 0.3 per cent. and 0.8 per cent. respectively. For D class banks the difference is of the order of 6.5 per cent.

108. I may also mention here that the formulae I have given, work in such a way that if as compared with the Labour Appellate Tribunal's scheme of adjustment, one of the two parties to the dispute, i.e., either banks or employees stand to lose by a fall in the index to 134, it would gain correspondingly when the index rises to 154. This is to my mind a very important consideration as there is much uncertainty as to the behaviour of the price level in the future with the rapid changes that are taking place in our economy. I have, therefore, taken particular care, in devising the revised formula of adjustment, to see to it that the total emoluments of bank employees are affected as little as possible as compared with what they would have got under the Labour Appellate Tribunal formula. That apart, my main concern has been to remove the anomalies inherent in the Labour Appellate Tribunal formula.

109. In fitting the existing staff in the revised pay structure the Sen Tribunal gave employees the benefit of what virtually amounted to point to point adjustment that is, the placing of each employee at the stage in the new scale to which he would have risen by reason of the length of his service had he entered service on the new scale. After a careful consideration of the various aspects of the question raised by the provisions contained in the Sen award the Sastry Tribunal by and large followed the recommendations of the Central Pay Commission that when persons on the existing scales of pay were brought on to the new scales recommended for them, their initial pay should be fixed at the stage in the proposed scale next above the pay they were drawing in the existing scale and special increments added to it at the rate of one increment in the proposed scale for every three completed years of service subject to certain ceilings in regard to the increase to be allowed. The Sastry Tribunal recommended that a workman should first be fitted into the scale of pay fixed by its

*Table Showing the difference between total Dearness Allowance for Clerks
Labour Appellate Tribunal formula at*

Clerks and Subordinates

Class of banks	D.A. at an index of 144	D.A. at an index of 134 as per L.A.T. formula	D.A. at an index of 134 as per 1/7th adjustment for clerks, and 1/10th adjustment for subordinates	D.A. at an index of 154 as per L.A.T. formula
1	2	3	4	5
A (Indian)	19975.5	17073.9	17366.5	22877.1
A (Foreign)	6141.7	5228.7	5316.1	7054.7
A (Indian & Foreign) .	26117.2	22302.6	22682.6	29931.8
B	4663.0	4037.5	4052.0	5288.5
C	3032.4	2664.1	2640.8	3400.7
D	240.7	192.8	208.5	288.6

and Subordinates according to (i) the adjustment formula and (ii) the Index levels of 134 and 154 respectively

(Amount in thousands of rupees)

D.A. at an index of 154 as per 1/7th adjustment for clerks and 1/10th adjustment for subordinates	Difference at an index of 134 (4-3)	Difference at an index of 154 (6-5)	Difference at index 134 expressed as a percentage of the D.A. admissible at an index level of 144	Difference at index 154 expressed as a percentage of the D.A. admissible at an index level of 144
6	7	8	9	10
22584.5	292.6	-292.6	1.46	-1.46
6967.3	87.4	-87.4	1.42	-1.42
29551.8	380.0	-380.0	1.45	-1.45
5274.0	14.5	-14.5	0.31	-0.31
3424.0	-23.3	23.3	-0.77	0.77
272.9	15.7	-15.7	6.52	-6.52

award at the stage in the new scale equal to or next above his basic pay as on the 31st January 1950 in the existing scale (Pre-Sen scale) and annual increments in the new scale as from that stage onwards added at the rate of one increment for every completed three years of his service subject to a maximum of 4 increments. It also recommended that two further annual increments in the new scale should be added to the basic pay fixed in the manner described above for service for the two years 1951 and 1952 and the worker should be entitled to draw his normal increment for 1953 and succeeding years from 1st April of each year. There were, besides, certain other recommendations aimed at giving protection to a workman's basic pay and emoluments as on the 31st January 1950, and covering cases of special increments granted or increments withheld etc. It also recommended that subject to a workman's basic pay as on the 31st January 1950 not being reduced in any case the adjusted basic pay in the new scale should not exceed what point to point adjustment would give him or the maximum in the new scale.

110. The Labour Appellate Tribunal agreed with the scheme of adjustment given by the Sastry award except in regard to the extent of the weightage given for past service by way of increments. Instead of laying down a maximum limit of 4 increments representing weightage for a maximum of 12 years' service, the Labour Appellate Tribunal tapered off the extent of the weightage for service above 12 years. It directed that to the basic pay into which the employee was fitted annual increments in the new scale as from that stage onwards should be added at the rate of one increment for every completed 3 years of service in the same cadre as on the 31st January 1950, up to a limit of 12 years' service; thereafter one increment for every completed 4 years' service up to another 8 years' service; and after that one increment for every 5 years of service.

111. The order of Government modifying the Appellate Tribunal decision discounted the case for additional weightage for employees with more than 12 years of service and confirmed the award of the Sastry Tribunal in this respect.

112. The question raised by the modification thus made by Government is not likely to affect a very large number of employees. On the merits, it seems to me that much can be said in favour of the view taken by the Labour Appellate Tribunal. If, in adjusting employees in the new wage structure, they are entitled to have their previous service taken into account, it is difficult to appreciate why a line should be drawn at the end of twelve years' service and it should be held that an employee would not be entitled to claim any credit for any period of service beyond the said line. The modification made by Government confirms the provisions made by the Sastry Tribunal, and these provisions, as I have just indicated, allow certain increments in lieu of twelve years' service. If fairplay and equity justify these provisions, it would seem to follow that the same considerations would justify the additional provisions that have been made by the Labour Appellate Tribunal decision. On the merits, therefore, I am inclined to agree with the view taken by the Labour Appellate Tribunal.

113. The question of the capacity of banks to pay, considered class-wise or individually, will be dealt with in a subsequent chapter of my report. In dealing with this question, the result of the impact of the Labour Appellate Tribunal decision on the finances of banks has been assessed on the assumption that the Labour Appellate Tribunal decision stands as it is without any modification. To anticipate my conclusions in respect of the capacity of banks to pay, I may state at this stage that, in my judgment, all banks in A and B classes, except the Bank of Bikaner, and the specified banks in C class can bear the said burden. Though my conclusion thus is the same in respect of these banks, while dealing with the question of adjustment of employees in the new wage structure I would like to make a distinction between banks in A class on the one hand and those in B and C classes on the other. I, therefore, propose to recommend that banks in A class should implement the Labour Appellate Tribunal decision together with the provision contained in the said decision in respect of adjustment of employees in the new wage structure. In regard to banks in B and C classes, however, I would like to recommend that the modification made by Government should be confirmed and the said banks should implement the Labour Appellate Tribunal decision subject to the said modification.

114. It is true that the relief which banks in B and C classes may receive as a result of this concession may not be of a large magnitude. But, on the other hand, the position of banks in A class must be distinguished from that of banks in B and C classes, and I have come to the conclusion that, having regard to the said distinction, it would be fair that the provisions as to adjustment prescribed by the Labour Appellate Tribunal decision should be implemented only by banks in A class. When Government made the modification in question, they presumably wanted to give relief to banks in that behalf and I feel that Government were right in giving relief to banks in B and C classes by introducing this modification.

115. I shall now proceed to examine the claim of employees that **Cuts in emoluments of employees under the Labour Appellate Tribunal decision.** the Labour Appellate Tribunal decision regarding wages should be implemented without permitting any cut in existing emoluments.

116. Up to the end of the Second World War there was no rational basis for the pay scales of bank employees. Each bank followed its own wage policy and more often than not the pay and allowances were fixed in an arbitrary manner. Since 1946 there were some adjudications in this regard in certain States particularly Bombay, U.P. and Bengal but it was not till the year 1949 when the Industrial Disputes (Banking and Insurance Companies) Ordinance was promulgated and the Sen Tribunal constituted that any attempt was made to evolve all-India scales of pay for bank employees. The Sen Tribunal awarded substantial increases in pay and allowances of bank employees. The banks continued to pay the revised scales laid down under the Sen award as Government had frozen these scales by enactment when the award was invalidated by a decision of the Supreme Court. Before the Sastry and the Labour Appellate Tribunals employees contended that their rights as on the 8th April 1951,

that is, the day before the invalidation of the Sen award by the Supreme Court, should not be prejudicially altered. The Sen Tribunal had given employees this protection by the following direction: "As regards monetary benefits enjoyed by the employees we feel that in no case and at no stage of an employee's career should his total emoluments be less than the totality of such benefits under the existing scheme, rules or awards". The principle behind this demand does not appear to have been refuted by the Sastry Tribunal but the disagreement has been only in regard to the point of time with reference to which the existing terms were to be recognised. The Sastry Tribunal fixed this date as on the 31st January 1950 which was also the date fixed by it for fitting the existing staff into the revised scales of pay. The Labour Appellate Tribunal did not alter the date. By the Labour Appellate Tribunal decision the emoluments of some employees were reduced mainly on account of the following three factors:

1. The basic pay structure was lower than that awarded by the Sen Tribunal;

2. In fitting in employees into the wage scale the Labour Appellate Tribunal allowed only one increment for every three years of service for service up to 12 years, an additional increment for every four years of service thereafter for service up to 8 years and further additional increments at the rate of one increment for every five years' service for service beyond a period of 20 years, while the Sen Tribunal had allowed point to point adjustment;

3. The scheme of dearness allowance granted by the Sen award which was subsequently frozen by enactment as at a particular date had brought into existence a crop of anomalies with the result that bank employees in some places got benefits out of all proportion to those received by employees in other places. The Appellate Tribunal sought to remedy these anomalies by making the basis for grant of dearness allowance uniform. This resulted in the quantum of allowance in certain centres being reduced.

117. Government took the view that it involves some hardship for employees to be suddenly deprived of a portion of the emoluments which they have been enjoying and to which they had tuned their style of living. It was probably to mitigate this hardship to some extent that Government in modifying the Labour Appellate Tribunal decision directed that where, by reason of their decision becoming enforceable the monthly emoluments inclusive of all allowances of any employee of a bank were less than what he in fact received or would have received in the normal course for the month of March 1954, the reduction in emoluments should not be given effect to at once but should be spread over a period of three years.

118. In dealing with the point raised by the introduction of the provisions contained in clause 3(g) of the Government modified **Pros and cons of this question Bankers' contention** decision, it would be relevant to bear in mind the pros and cons of this question. Employees who had to face deduction in their total emoluments as a result of the awards pronounced by the Sastry and Labour Appellate Tribunals had appealed to both the tribunals to give them breathing

time to adjust themselves to the change in their total emoluments. Both the tribunals had rejected this prayer on the ground that employees should never have got the inflated emoluments which they received under the Sen award and that there was no justification for continuing the same position any longer. It was conceded before the tribunals that the emoluments which these employees received were the result of an erroneous view taken by the Sen Tribunal, and banks urged that what was rooted in error cannot be allowed to continue after the error was discovered and rectified by another tribunal of competent jurisdiction. In other words, the objection urged by banks and accepted by the tribunals was that the plea for breathing time rested on no valid legal ground; and it must be conceded that the conclusion finally reached by the tribunals was, from a purely legal point of view, unassailable. In this connection, it must also be conceded that a fairly large section of employees affected by this question reside in small places where the cost of living cannot, of course, be very high.

119. On the other hand, employees urged that in all industrial adjudication humane and equitable considerations are usually **Employees' contention** allowed to operate wherever adjustments of this kind are involved. In support of their case, employees relied upon the observations made by the Central Pay Commission in dealing with a similar situation. The said Commission had observed that it was not their intention to suggest that the salary drawn by any officer should be affected to his prejudice. The rule of restitution, which is usually applied in ordinary adjudication, can have no place in industrial adjudication; and, as a corollary, it may be stated that generally, where an employee has to submit to a deduction in his total emoluments, it would be just on humane and equitable grounds to give him breathing time to adjust himself to the changed circumstances.

120. The Government modified decision shows that Government preferred to adopt the more humane and equitable view in the matter, and, in the interests of social justice, they have interfered with the decision of the Labour Appellate Tribunal and have granted time to employees concerned. In considering whether the modification thus introduced by Government in the decision of the Labour Appellate Tribunal should be confirmed or not, it may be relevant to invite attention to the observations made by the Members of the Labour Appellate Tribunal themselves when they dealt with this question at an interlocutory stage of the proceeding before them. When appeals were preferred by employees against the award made by the Sastry Tribunal, applications were made on their behalf praying that the execution of the award pronounced by the Sastry Tribunal should be stayed and the employees concerned should be allowed to draw their total emoluments as under the Sen award pending the final disposal of their appeals before the Labour Appellate Tribunal; and these applications were allowed by the Labour Appellate Tribunal and stay was granted to employees as prayed for by them. In rejecting the contention raised by banks that no case for stay had been made out by employees, the Labour Appellate Tribunal observed that there cannot be any doubt that enforcing the Sastry award "would

Relevance of the interlocutory judgment delivered by the Labour Appellate Tribunal

have the effect of serious maladjustment of their standard of living which the workmen have been used to at least for about three years, that is to say, since the Sen award became operative and uptil now." The judgment further proceeds to say that "this, in our opinion, may lead to dissatisfaction not based merely on sentimental grounds amongst the majority of workmen, as is likely to lead to the disturbances of industrial peace if the Sastry award is enforced before its validity is tested by appellate authority."* The significance of these observations would be appreciated if the limits of the Labour Appellate Tribunal's jurisdiction to grant stay are taken into account. Section 14 of the Industrial Disputes (Appellate Tribunal) Act. (XLVIII of 1950) confers jurisdiction on the Labour Appellate Tribunal to grant stay in regard to the implementation of the award under appeal only if the Labour Appellate Tribunal is satisfied that the implementation of the award may have serious repercussions on the industry concerned or other industries or on the workmen employed in such industries or industry. It is in the light of this provision that the Labour Appellate Tribunal made a finding that refusal to grant stay would have serious consequences, and having made this finding the prayer for stay made by employees was granted. In other words, in dealing with the application for stay at an interlocutory stage, the Labour Appellate Tribunal took the view that it was of considerable importance to give breathing time to employees and not to expose them to a cut in their total emoluments straightway. It may be said, with respect, that the principles on which stay was granted by the Labour Appellate Tribunal were not properly taken into account when it rejected the prayer of employees to give them some more time for adjustment at the time when the final orders were pronounced. The Government modified decision, on the other hand, seeks to give effect to the humane and equitable considerations which generally are respected in industrial adjudications. Having regard to these considerations, the contention raised by employees that clause 3(g) should be continued cannot, in my opinion, be summarily rejected. It would be noticed that, since employees were strongly relying upon the continuance of clause 3(g), they were very much embarrassed in attacking Government's power to interfere with an award which the proviso to sub-section (1) of section 15 provides. It is obvious that, in so far as employees support Government interference as evidenced by clause 3(g) it would be impossible for them to attack the propriety of the power vested in Government under section 15. Having carefully considered this matter I have come to the conclusion that, since Government have interfered and made a modification in favour of a substantial body of employees on humane and equitable grounds, it would not be fair to suggest that this modification should not continue to operate.

121. The provisions contained in clause 3(g) received different and conflicting interpretations from banks and their employees respectively. It is unnecessary for me to enter into that controversy. In making my recommendation, however, I wish to make it perfectly clear that the provisions contained in clause 3(g) should be applied both in implementing the Government modified, and the Labour Appellate Tribunal, decisions and the implementation should be made on the

clear understanding that bankers would be entitled to make suitable relevant adjustments against increments that may fall due to employees subsequently. I would suggest that, in order to make this recommendation effective, if necessary, suitable amendment in the wording of clause 3(g) should be made. There is another point on which I wish to recommend a modification in the provisions of clause 3(g). I apprehend that complications may arise in the matter of adjustment if this clause is implemented as it stands with effect from the 24th August 1954 since increments fall due on the 1st April every year. In order primarily to facilitate accounting, I would recommend that clause 3(g) should be implemented retrospectively from the 1st April 1954 instead of from the 24th August 1954. The result of this recommendation would be that the first cut would fall due on the 1st April 1955. In making this recommendation, I wish further to make it clear that in giving effect to the changed provision as recommended, employees should not be required to refund any amount already received by them.

122. I must, however, add that the continuance of this provision, coupled with the recommendation that the Labour Appellate Tribunal decision should be restored, would naturally add to the burden of banks. I will presently deal with the magnitude of this burden and will indicate briefly how the burden falls to be shared by respective classes of banks. Before I do so, however, it may be relevant to anticipate my conclusions and to point out that, in order to give some relief to banks, I am suggesting that the provision for accumulation of medical relief should be set aside, that the creation of area 4 with the consequential change in the wage structure and dearness allowance should be continued, and that the first impact of the implementation of the Labour Appellate Tribunal decision in 1954 should be phased out by three instalments. In a sense, there would then be some correspondence in the method adopted by clause 3(g) and the method I am suggesting for implementing the first impact of the Labour Appellate Tribunal decision. I would also like to add that the maximum burden of implementing the provisions of clause 3(g) has already been borne by banks in 1954.

123. In the questionnaire issued to banks they were asked to specify the number of employees whose emoluments would be scaled down under the Labour Appellate Tribunal decision

Extent of reduction in emoluments	up to 5 per cent, by 5 to 10 per cent, 10 to 20 per cent, 20 to 30 per cent, and over 30 per cent.
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The following statement gives an abstract of the replies in this regard.

124. The number of employees whose emoluments would be cut under the Labour Appellate Tribunal decision is 12,418 or 22.1 per cent. of the total number of employees. Of the clerical employees 27.1 per cent. would have been affected but among the subordinate staff only 13.2 per cent would have their emoluments reduced. Of the total number affected 8,432 or 67.9 per cent. are employed in A class (Indian) banks and another 2,392 or 19.3 per cent. in foreign banks; another 8.3 per cent. are employed in B class banks. The bulk that is 95.5 per cent. of employees whose terms will be prejudicially affected, are in A and B classes of banks. Again, of the total number of 12,418 employees affected the reduction in emoluments for

*Statement showing the extent of cut in emoluments of employees
under the Labour Appellate Tribunal decision in 1954*

Class of banks	Total No. of persons employed	Number of employees whose emoluments would have been cut by												Total	
		Upto 5%				5 to 10%				10 to 20%					Total
		C	S	C	S	C	S	C	S	C	S	C	S		
A (Indian) (7)	21037	11983	2520	804	1695	491	1390	496	753	145	106	32	6464	1968	8432 (67.9)
A (Foreign) (11)	5319	2364	931	269	543	147	336	50	60	5	51	..	1921	471	2392 (19.3)
B (8)	5537	2854	376	28	276	12	238	25	64	1	6	..	960	66	1026 (8.3)
C (23)	3680	2354	127	17	99	38	102	5	68	..	2	..	398	60	458 (3.7)
D (18)	583	407	15	25	7	16	19	21	2	3	1	1	44	66	110 (0.9)
All banks (67)	36156	19962	3969	1143	2620	704	2085	597	947	154	166	33	9787	2631	12418 (100)
			(41.2)		(26.8)		(21.6)		(8.9)		(1.6)				

C — clerks	S — subordinates
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C — clerks

S — subordinates

5,112 or 41·2 per cent. of employees is less than 5 per cent. of their emoluments; for 26·8 per cent. of them it is between 5 and 10 per cent. of emoluments; for 21·6 per cent. it is between 10 and 20 per cent; for 8·9 per cent. between 20 and 30 per cent, and for the remaining 1·6 per cent. the reduction is over 30 per cent, of the emoluments.

125. The Commission has also examined in some detail the additional burden which will devolve upon banks if the cut were disallowed but adjusted against future increments of employees. The incidence of this burden, as will be evident from the number of employees affected, is mainly upon A class and B class banks. Even though the additional burden on each bank on this account is somewhat high in 1954 it tapers off sharply during the subsequent two years. As I have already indicated, banks, by and large have already met the additional burden for the year 1954 in terms of paragraph 3(g) of the Government Modification of the Appellate Tribunal decision and the burden during the next two years should not present any serious difficulty. That is why I propose to recommend to Government that clause 3(g) with the clarification as already indicated should be confirmed.

126. Whilst I am dealing with the question raised by the provisions of paragraph 3(g) of the Government Modification, I have already **Burden of retrospective effect spread over three accounting years** incidentally indicated that I wish to recommend that partial relief should be given to banks by suggesting that the initial impact of the retrospective implementation of the Labour Appellate Tribunal decision in 1954 should be spread out by three instalments. I think this is the proper place where this point can be elaborated and my recommendations in that behalf formulated. When the representatives of employees strongly urged before me that the benefits given by clause 3(g) should be continued, I enquired from them whether they would be prepared to accept the suggestion that the first impact of retrospectively implementing the Labour Appellate Tribunal decision in 1954 should be similarly spread out. At that stage it was of course impossible to indicate to employees what shape my recommendations finally would take. In fact, I had not myself come to any final conclusions then. However, in order to examine the problem in all its aspects, I wanted to ascertain the attitude of employees to the proposal to spread out the first impact of the retrospective implementation of the Labour Appellate Tribunal decision in 1954 and it appeared that the representatives of employees were prepared to accept this proposal provided of course the provisions of clause 3(g) were continued. On the merits it cannot be claimed that the relief granted to banks by this proposal would be of a very large order. But, on the other hand, if the impact is spread over three accounting years, it would give some relief to banks in 1955. That is why, while recommending that clause 3(g) should be confirmed and continued as modified, I wish to make the further recommendation that the implementation of the Labour Appellate Tribunal decision, so far as its first retrospective impact in 1955 is concerned, should be spread out as just indicated. My recommendation for the spreading out of the first impact, therefore, would be as follows:—

- (i) 40 per cent. of the additional burden of emoluments for the year 31st March 1954 to 1st April 1955 on account of the retrospective effect, to be paid by the 31st December 1955;

- (ii) 30 per cent. to be paid by the 30th June 1956; and
- (iii) the balance of 30 per cent. to be paid by the 31st January 1957.

This recommendation is made subject to certain conditions and these conditions must now be clearly enumerated. If during this period the services of any one of employees concerned are terminated by way of dismissal or discharge or other ways, or in case an employee retires or leaves his employment for any reason whatever or dies, the total dues that would have become payable to him at the time the decision came into force, inclusive of all benefits, should be paid to him or his assignees forthwith. As regards dues for the current year, both under the Labour Appellate Tribunal and the Government modified decisions, I would, however, recommend that payment of emoluments to bank employees according to Government's final decision on my recommendations should be settled by the 31st December 1955.

127. Provision for medical relief was an issue in bank disputes before practically all Tribunals; and all awards, regional and national, accepted the principle that a bank employee is entitled to medical relief from his bank. The Sen award directed that banks of all classes should appoint their own medical practitioners, arrange for the treatment of employees either at the office or residence or hospital as necessary and pay the bills of employees in respect of medicines including vaccines and specialists' fees. While no ceiling was imposed in respect of medical charges for employees in A class banks, ceilings graded according to the pay of employees and varying according to the class of bank and the area in which they were employed, were prescribed for B and C class banks.

128. The Sastry Tribunal directed that (i) medical facilities should be confined to employee only, the members of his **Sastry Tribunal** family not being entitled to the same; (ii) existing medical facilities wherever they were superior to the provision made in the award should be continued; (iii) wherever possible banks should have their own medical practitioners either full-time or part-time; (iv) an employee claiming benefits should go to an authorised doctor appointed by the bank or such doctor as he may recommend or a doctor of his own choice in the locality in the absence of an authorised doctor and all medical bills should be subject to the approval of the authorised doctor. In regard to the ceiling of medical expenses payable by the bank, the Sastry Tribunal discounted the principle of gradation according to pay but laid down the following ceilings class-wise and area-wise.

<i>Class of banks</i>	<i>Area 1</i>	<i>Area 2</i>	<i>Area 3</i>
	Rs.	Rs.	Rs.
A	90	60	50
B	75	50	40
C	60	40	30
D	30	20	15

129. As the full financial implications of the provision for medical relief were not available to the Tribunal it recommended that the position might be reviewed after the scheme had been in operation for three years to see if an upward revision was necessary.

130. The Labour Appellate Tribunal decision did not alter the provisions regarding medical relief made by the Sastry Tribunal except in so far as it directed that any workman who had not exhausted the maximum amount available to him in any particular year should be entitled to the unexhausted portion being carried over from year to year subject to the provision that the total amount available to him at any time should not exceed three times the maximum allowed in a year. The cumulative provision was given so that the amounts which were small could be of real assistance.

131. Several banks have contended before me that the cumulative provision made in regard to the medical benefits imposes too much of a burden on banks. I have examined the estimates furnished by banks in regard to the addition to establishment charges on account of medical benefits and I am satisfied that some of these estimates unmistakably indicate a tendency to exaggerate. It is no doubt true that the provision for accumulation of medical relief has been ordered for the first time by the Labour Appellate Tribunal, and in the absence of actuarial calculations made in that behalf banks have had to make provisions on a somewhat liberal basis. There may also perhaps be some force in the apprehension entertained by some of the bankers that this provision is likely to be abused by employees. But even so, some of the estimates err on the side of exaggeration so much that employees were able to point out that these estimates seem to assume that each one of the employees would be able to avail himself of the benefit of this provision. The exaggerated estimates made by banks in respect of this item have helped to furnish banks with the argument that, in considering the result of the impact of the Labour Appellate Tribunal decision on their finances, I should take into account the heavy additional burden which the provision as to accumulation of medical relief will impose on them. I have carefully considered the merits of the provision for accumulation of medical relief and I feel inclined to hold that there is not much justification for this provision. In point of fact, it would not be unreasonable to assume that the percentage of employees who would be able to take advantage of this provision would be comparatively small. Besides, I have not been referred to any industrial award where such a provision for accumulated relief has been made. Thus though on paper and in theory the provisions appears to impose a somewhat heavy burden on banks, in practice and in fact the provision may not mean much benefit to employees themselves. I have, therefore, come to the conclusion that the provision for accumulation of medical relief which has been introduced by the Labour Appellate Tribunal in its decision should be set aside. Incidentally, if this modification is made in the Labour Appellate Tribunal decision, it would dispel the apprehension entertained by banks that the implementation of the Labour Appellate Tribunal decision would make their position very difficult. It can now be said that, to the extent to which their liability to bear medical expenses for their employees has been reduced, to that extent they will get relief from the burden imposed by the Labour Appellate Tribunal decision. That is why I recommend that the change made by the Labour Appellate Tribunal in respect of accumulation of medical relief should be removed and the provision

for medical relief as had been made by the Sastry Tribunal should be confirmed.

132. The Labour Appellate Tribunal has discussed in paragraphs 375—393 of its report the several issues which were raised in connection with employees' right to existing terms of service and directed that each individual employee may exercise option to elect for the existing conditions of service in respect of specified items within a period of five months from the date of pronouncement of the decision. Since the decision was pronounced on the 28th April 1954 the period for exercising the option was to end on the 27th September 1954. Government, however, modified the decision on the 24th August 1954 and, therefore, in terms of the provision in paragraph 393 of the Labour Appellate Tribunal decision, employees had to exercise the right as between the existing terms as defined and the Labour Appellate Tribunal decision as modified by Government before that date. Subsequently Government appointed this Commission to further investigate into the dispute and, therefore, as a consequence if Government alter their order dated the 24th August 1954 on my recommendations, the question of option must perforce be reopened as employees who had exercised their right within the specified time limit had done so in the conditions then existing. It was brought to my notice both by banks and employees that I shall have to make a fresh recommendation extending the period of option, so as to give employees time to exercise their right in the light of Government's final decision on my recommendations. Since I am recommending the restoration of the Labour Appellate Tribunal decision with certain modifications in respect of some banks as indicated in the report, I feel that the period provided in said paragraph 393 should be extended. I recommend that employees may be given time to exercise the right as defined by the Labour Appellate Tribunal decision within a period of three months from the date of the pronouncement of Government's final decision on my recommendations.

CHAPTER VII

Expansion of Banking and the Problem of Area 4

133. In the preceding chapter I have discussed some of the preliminary questions in regard to the implementation of the Labour Appellate Tribunal decision. One more preliminary question yet remains to be considered and that relates to the problem of area 4 which has been created by the Government modified decision.

The problem of area 4

The Labour Appellate Tribunal decision had divided the country into three areas for the purpose of fixing their wage structure and the scales of dearness allowance. The Government modified decision has added a fourth area and a two-fold provision has been made in respect of this area. This area, under the Government modified decision, comprises places where the population is 30,000 or less and in respect of this area, a lower wage structure has been prescribed. A smaller area has been carved out of area 4 and in respect of this smaller area complete exemption from the operation of the decision has been granted. This area covers places where the population is 30,000 or less in Part B and C States except Delhi, Ajmer and Coorg. The principal point which I propose to discuss in the present chapter is whether Government were justified in creating area 4 and in granting complete exemption to a part of this area, referred to in my report as area 5.

134. In considering this problem, it would be material to bear in mind the relevant terms of reference. The object of creating area 4 was to promote development of banking in the country in general and in rural areas in particular.

The relevant term of reference

That is why, in considering the propriety or validity of the creation of area 4, the terms of reference require that I should bear in mind the importance of the development of banking in the country generally and in rural areas in particular. Likewise the consideration of this problem should take into account the desirability of avoiding widespread closures of banking companies or their branches; that is the second consideration which has to be borne in mind. The third consideration which the terms of reference correlate with the decision of this point is in respect of the possibilities of effecting economies in the expenses of banking companies, and, as I have already indicated in construing the terms of reference in an earlier chapter, this term of reference by necessary implication requires me to consider legitimate sources for adding to the income of banking companies.

135. While considering the problem of area 4 in the light of the material terms of reference, it would be necessary to appreciate some of the implications of this problem and this can be achieved, I think, if I begin the discussion of the problem with a broad review of the development of banking during the period commencing with the second world war. Joint stock banking in India, which had been making a slow and steady progress prior to this, received a great fillip owing to the magnitude

Expansion of banking during the second world war and years subsequent to it

of war finance which gave rise to inflationary conditions. Not only did bank deposits rise to an unprecedented level, but there was also considerable expansion of branch banking in the country. Abundance of investible funds and shortage of industrial equipment led enterprise into the banking field; consequently a large number of banks, including some bigger ones, were floated during the war years as there was no statutory restriction on the starting of joint stock banks as such, although the issue of capital was controlled by Government since May 1943. As many as 98 banks were incorporated during the period 1942-45. The number of banks floated in 1946 was, however, less being only 26. The favourable conditions created by the war also came to the rescue of some of the marginally solvent banks and the number of those which went into liquidation or otherwise ceased to function diminished from a total of 318 for the three years 1939-41 to a total of 191 for the five years 1942-46. The floatation of new banks had by the end of this period considerably slowed down mainly due to the uncertainties of the future. While 13 new banks, mostly small ones in the Travancore-Cochin State, were started in 1947 and 1948, each, only one bank came into existence thereafter in 1953, also in the Travancore-Cochin State.

136. Both the developments mentioned in the above paragraph helped in no small measure the increase in the number of offices of banks throughout the country. In a virtual scramble for deposits, old as well as new banks launched upon extensive branch expansion programmes. Some banks which were originally confined to particular regions extended their areas of operation to other regions. As against 2,708 bank offices at the end of 1942 all over the country, the number in undivided India rose to 5,335 at the end of 1945, which period approximated to the termination of hostilities, and to 5,521 at the end of 1946. 4,886 of these were situated in the area now comprising the Indian Union. Out of the 5,521 offices, those of scheduled banks numbered 3,480. The very rapid growth of branch banking unplanned and indiscriminate as it had been, was naturally not without its attendant defects. The pre-war tendency to open offices in bigger towns which were already over-banked persisted during the period under reference, and as it was done without undertaking a careful assessment of the business prospects in those towns, this gave rise to over-concentration and consequently unhealthy competition. In the case of some of the smaller banks, the branch expansion was quite out of proportion to their capital structure. Offices were, however, opened both by bigger and smaller banks, some of them at places not previously served by any joint stock bank, and to that extent there was a greater dispersal of offices than before.

137. The enactment in November 1946 of the Banking Companies (Restriction of Branches) Act put a brake on the indiscriminate expansion of branch banking and the opening of branches by banks became subject to the prior permission of the Reserve Bank of India. The period thereafter saw a reversal of the expansionist trend, the number of offices closed year after year being larger than the number of those newly started. The net decline in the number of bank offices in the Indian

Union was the sharpest during 1946-50, being of the order of 533, or 11 per cent of the total. Of late, however, the fall has more or less been completely arrested. The large-scale closure of offices was, no doubt, the natural consequence of the indiscriminate expansion during the war period and it resulted in the weeding out of the uneconomic units thereby imparting strength to the banking system. In addition to the restrictive effect of the Banking Companies (Restriction of Branches) Act, 1946, the disinclination on the part of existing banks, particularly the bigger ones, to undertake any extensive branch banking programme has also contributed to the progressive decline in the number of applications for new branches received by the Reserve Bank of India (from 292 in 1947 to 109 in 1950). The latter development was, to some extent, due to the fact that, with the widespread expansion that had taken place during the war period, banks had almost reached areas of marginal banking potential and were, therefore, rather reluctant to undertake further expansion into places in semi-urban and rural areas which had no facilities of modern banking. Coupled with the slowing down of the pace of opening new offices, the factors which contributed to the acceleration of the closure of existing offices were:—

- (1) the partition of the country in August 1947 followed by serious dislocation of banking business in the affected areas;
- (2) contraction of banking resources following reconversion of business to peace-time conditions;
- (3) the onerous though desirable provisions of the Banking Companies Act, 1949, particularly those in respect of minimum capital and minimum liquid assets and prohibition of non-banking business; these forced some banks to convert themselves into non-banking companies;
- (4) amalgamation of some banks necessitating closure of over-lapping offices.

138. One of the noteworthy features of the war and post-war banking trend is the development of banking in some of the former Indian States, i.e. princely States now constituting Part B States and Part C States except Delhi, Ajmer and Coorg. Leaving aside the few economically undeveloped Part C States (and it is necessary to remember that there are some analogous areas even in Part A States), it would appear that joint stock banking as a whole made satisfactory progress in most Part B States during the war and post-war period. Many of these States, taking advantage of the inflationary conditions created during the war, either started banks themselves or encouraged, by active participation, the floating of banks under local enterprise. The first of these was established in the Hyderabad State in 1941, while three banks were started in 1943-44 by local enterprise aided by the States which were later integrated to form the present State of Rajasthan. Another State-aided bank came into existence in the erstwhile Travancore State in the year 1945. All these were controlled by State Governments in some form or the other. In the last-mentioned State as

well as in the former Cochin State a number of comparatively small joint stock banks were also established during this period as a result of private enterprise. Most of the State-owned and State-controlled banks undertook extensive branch banking programmes covering the semi-urban and rural areas within the respective States, primarily for the purpose of handling the treasury work of the State Governments or for assisting in the economic development of the States according to plans chalked out by the State Governments. No restrictions on the opening of their branches were placed until the Banking Companies Act, 1949, was applied to the merged or integrated areas in which they operated. These banks also attracted large deposits from outside their States, mostly from the former British Indian territory, on account of total or partial exemption from income-tax in these States. Indeed, the relief obtained in tax incidence induced some of the major banks in the former British Indian territory to extend their branch banking activities to the bigger towns in the States which granted them the necessary permission. It is well-known that these branches of outside banks were made the repositories of the funds of their customers in the former British India with a view to evading income-tax. All these factors brought about a substantial addition in the number of banking offices in Part B States during the war and early post-war period. As no separate statistics pertaining to the number of offices of banks in the erstwhile princely States prior to 1948 are available, it is not possible to bring out the extent of the increase that had taken place during this period. It is, however, interesting to note that branch banking in Part B States appears to have maintained a steady trend even after 1947 notwithstanding the generally declining trend for banks as a whole. Whereas in the case of Part A States the number of offices of banks declined from 3,360 in 1948 to 2,569 in 1953, the number of offices in Part B States increased from 1,067 in 1948 to 1,157* in 1953. Even if allowance is made for the effect on statistics of the several subsequent changes in the boundaries of Part A and B States, it would appear that the progress in branch banking that Indian joint stock banks had made in Part B States was satisfactory and they did not seem to be far behind Part A States.

139. The latest position of distribution of bank offices according to groups of States is brought out in the table on page 83.

It will thus be seen that while scheduled banks predominate in Part A States and the distribution of their offices is in line with the distribution of population among the different groups of States, non-scheduled banks play a slightly more important role than scheduled banks in Part B States and their offices are almost equally distributed in both Part A and B States. It will also be observed from the figures of population per office that Part B States are not on the whole worse off than Part A States in the matter of banking facilities available to them on per capita basis.

*Statistical Tables relating to banks in India published by the Reserve Bank of India—Summary Tables Nos. 10 and 9 of the 1948 and 1953 issues respectively.

*Regional distribution of offices as on the 31st December 1954***

Groups of States	Population as per 1951 census report (in crores)	Proportion of population of each group to total population	No. of offices of scheduled banks in the group	Proportion of no. of offices in col. 4 to total no. of offices of scheduled banks	No. of offices of non-Scheduled banks in the group	Proportion of no. of offices in col. 6 to total no. of offices of non-scheduled banks	Population per office (in lakhs)
I	2	3	4	5	6	7	8
Part A	27.80	78%	2,078	75%	664	52%	1.01
Part B	6.87	19%	561	20%	594	47%	0.59
Part C	1.02	3%	125*	5%	19	1%	0.7
	35.69	100%	2,764	100%	1,277	100%	0.88

* Of these, 92 offices are in the Delhi State alone.

140. In the light of the general picture of expansion of joint stock banking in the country given in the foregoing paragraphs the position of banks which are parties to the present dispute may now be considered. At the end of 1954 there were 88 scheduled banks and about 445 non-scheduled banks in India. The progress made in branch expansion from January, 1948 upto the end of June, 1954 by the 67 reporting banks (51 scheduled and 16 non-scheduled) and the areawise distribution of their offices as at the end of June, 1954 is brought out in the following table:—

Distribution of offices of banks according to award classes—1948-1954

Class	No. of offices in 1948	No. of offices opened 1948- 54	No. of offices closed 1948- 54	No. of offices in 1954 (30-6-54)	Area-wise analysis of the number of offices in 1954 (30-6-1954)				
					Area 1	Area 2	Area 3	Area 4	Area 5*
A (Indian)	822	357	132	1,047	151	323	305	221	47
A (Foreign)	53	9	3	59	46	7	5	1	..
B††	424	102	79	447	102	101	109	61	74
C	613	120	134	599	78	143	136	132	110
D	205	9	49	165	13	35	46	43	28
	2,117	597	397	2,317	390	609	601	458	259

*Note.—Area 4 has been added by the Government modified decision. It includes all places where the population is 30,000 or less. Area 5 refers to that portion of area 4 in respect of which the Government modified decision has granted complete exemption from all awards. This area includes all places in Part B and Part C States where the population is 30,00 or less, except those in the States of Delhi, Ajmer and Coorg.

††Inclusive of offices in 1949 of certain banks which were amalgamated into one unit in 1950.

** Figures taken from statements 31 and 32 of the "Trend and Progress of Banking in India" for 1954 published by the Reserve Bank of India.

The net rise of 200 in the total number of offices of the above-mentioned banks is accounted for mostly by A class (Indian and Foreign) and B class banks, whereas the number of offices of C and D classes of banks has recorded a net decline during the period.

141. It will be observed from the above table that areas 2 and 3 account for the highest number of offices of banks followed by areas 4, 1 and 5. The same trends are noticed in the case of A class (Indian) banks whereas A class (Foreign) banks have most of their offices in area 1. B class banks have practically the same number of offices in areas 1, 2 and 3 while their offices in areas 4 and 5 though less in number, are fairly equally distributed. C class banks have more or less followed the pattern of A class (Indian) banks. It also appears from the information supplied to the Commission that the highest number of offices were closed in area 4 (142) followed by those in areas 2, 3, 5 and 1 (84, 68, 52 and 51 respectively). 223 of the 397 offices closed (56 per cent) were on account of losses sustained by them. 58 (15 per cent) due to amalgamation of banks and 36 (9 per cent) consequent upon Partition of the country. The number of offices closed in order to comply with section 11 of the Banking Companies Act was only 5 (1 per cent) and related solely to D class banks. The remaining 75 offices (19 per cent) were closed on account of miscellaneous reasons which were not specified. Again out of the 397 offices closed 142 had been opened during the war period indicating generally the indiscriminate manner in which branch expansion had taken place during that period as referred to earlier. C class banks accounted for the highest proportion of closures at 44 per cent while A class (Indian) banks followed with 27 per cent.

142. In assessing whether the maintenance of a banking office is remunerative or not, it would be necessary to bear in mind the practice followed by the bank with regard to the adjustment of charges on the use of funds between its head office and branches. It is seldom that a branch is self-sufficient by itself in the sense that its deposits just cover its advances. Some of the branches situated at deposit-collecting centres may, therefore, have surplus funds to lend to the head office; at other centres there may be better scope for advances and the branches there may have to borrow funds from the head office to meet their business requirements. Although the adjustment of interest charges on the use of funds between the head office and branches would not in any way affect the working results of the bank as a whole, a predominantly deposit-collecting branch would always show a loss and a predominantly advances-making centre would record an inflated profit unless interest at a reasonable rate is allowed or charged by the head office on the funds borrowed from or lent to the branches. Information was collected from banks regarding the practice followed by them in this connection and they were asked to work out the results of their branches running at loss on the basis of a given formula of adjustment, in order to show if they would have thereby shown profits. The formula laid down by the Commission in this respect stipulated that the branches were to be allowed interest on their funds with the head office at the ratio of gross earnings to working capital less

$\frac{1}{2}$ per cent and were to be charged at the average borrowing rate plus $\frac{1}{2}$ per cent. From the replies received it appears that with the exception of only two banks all others followed the practice of allowing or charging interest on the use of funds between the head office and branches. While the rate of interest allowed by the head offices varied between 2 per cent and 4 per cent, the rate of interest charged by them ranged between $2\frac{1}{2}$ per cent and $4\frac{1}{2}$ per cent. The Bank Rate, which is $3\frac{1}{2}$ per cent at present, was the more commonly adopted rate, being applied either uniformly on both accounts or with a margin of $\frac{1}{2}$ per cent. in favour of the head office. In a few cases banks varied their rate according to money market conditions. Excepting in a very few instances, the replies received from banks indicated that even if interest on the basis indicated by the Commission were applied, the branches which were closed due to losses would not have shown profits. This was due to the fact that most banks had already taken into account head office interest on the above basis in arriving at the working results of the losing branches before deciding to close them.

143. An analysis of the offices according to their working results for the half year ended the 30th June, 1954 as also **Working results of offices** for the full year ended the 31st December, 1953 is given below:

Distribution of offices according to working results for the year ended the 31st December 1953 and half-year ended the 30th June 1954

Class of banks	Total No. of offices	No. of offices making profit	No. and pro- portion of offices making loss		No. of offices making loss area- wise					
			No.	Proportion	Area 1	Area 2	Area 3	Area 4	Area 5	
1953										
A (Indian)	1,036	735	301	29.05%	28	85	105	64	19	
A (Foreign)	59	43	16	27.12%	8	4	4	..	..
B	442	305	137	31.00%	42	28	30	24	13	
C	600	421	179	29.83%	33	43	33	39	31	
D	166	105	61	36.75%	6	15	15	7	18	
TOTAL	2,303	1,609	694	30.13%	117	175	187	134	81	
1954										
A (Indian)	1,049	803	246	23.45%	27	85	71	52	11	
A (Foreign)	59	40	19	32.20%	13	3	3	..	..
B	447	330	117	26.17%	38	25	25	22	7	
C	601	438	163	27.12%	33	41	32	33	24	
D	158	100	58	36.71%	4	12	17	8	17	
TOTAL	2,314	1,711	603	26.06%	115	166	148	115	59	

144. It will be seen from the above that D class banks have the highest proportion of offices running at loss. The number of such offices in areas 4 and 5 is 115 and 59 respectively for the half year ended the 30th June 1954 and constitutes 25·33 per cent and 23·14 per cent, respectively of the total number of offices in each of these areas. In addition to giving the profit or loss position of their offices as on the 30th June 1954, banks were asked to estimate their working results for the six months ended the 31st December 1954 and for 1955 and 1956 on the basis of the position as on the 30th June 1954; for this purpose establishment expenditure was to be calculated according to the scales of pay and allowances prescribed under (a) the Labour Appellate Tribunal decision and (b) Government Modification. It may be mentioned that, by applying the Labour Appellate Tribunal scales, it was found that 220 may probably be converted into losing offices out of a total of 2,317 profit-earning offices at the end of 1956. Of them, 50 are in area 4 and 26 in area 5. The corresponding number under the Government Modification at the end of 1956 would be much less. Inasmuch as the Government modified scales do not apply to area 5, the working results of offices in that area were not affected under that decision. Viewed against the background of the net reduction in the number of offices in the post-war period, which totalled 845 (the number of offices actually closed being obviously much larger) during the period 1946-1954, the number of offices that may have to be closed by the end of 1956 under the Labour Appellate Tribunal decision (220) (assuming that all the offices converted thereby into loss-incurring offices would necessarily be closed) does not appear to be so large as to cause any alarm. In any event, since these offices were showing only marginal profit, the change in status was only formal. In this connection, it would be relevant to remember that usually banks do not close their branches as soon as, or solely because, they appear to be marginal or loss-incurring units. Even such branches serve some useful purpose for the main office. Further, in the generally anticipated rise in the bank earnings during the immediate future it is not unlikely that the number of such offices may be reduced in actual practice. Nevertheless it is essential to consider whether any of the places at present served by joint stock banks would be deprived of commercial banking facilities. From the information collected from banks regarding individual offices that may have to be closed during the next three years as a result of the burden imposed by the Labour Appellate Tribunal decision, it would appear that in all 47 places are expected to be deprived of banking facilities. Of these as many as 24 are in area 4 and 18 in area 5. While a majority of the offices in area 4 are served by B and C classes of banks, all offices in area 5 are served by B and C classes of banks alone. Thus *prima facie* there appears to be a case for providing relief in the provisions of the Labour Appellate Tribunal decision as far as they apply to these areas. In the context of to-day, it is of utmost importance to devise ways and means which would not only avoid the curtailment of, but would facilitate the spread of banking facilities in semi-urban and rural areas. The major importance of developing these smaller areas, which constitute the bulk of the nation, can hardly be exaggerated. That is why I must now proceed to consider what changes should be

recommended in the structure of the Labour Appellate Tribunal decision from this point of view.

145. Although the opening of a number of branches during the war and post-war period has, by and large, brought about a greater diffusion of banking than during the pre-war period, branch expansion still continues to be lopsided as has already been observed. Thus while bigger towns have an adequate number of banking offices, and in some cases even more than necessary, a number of small places are still without any office of a joint stock bank. Though statistics based on the 1951 census report regarding the number of towns in semi-urban and rural areas not served by a joint stock bank are not available, the following figures relating to the distribution of banking offices in what may be called as rural and urban areas would indicate the preference of banks primarily for urban areas:

*Distribution of banking offices by population among classes of States at the end of 1954***

Class of States	No. of places with population upto 25,000 served by banks.	No. of offices at places in col. 2	Approximate no. of offices per places in col. 2	No. of places having population above 25,000 served by banks	No. of offices at places in col. 5	Approximate No. of offices per place in col. 5.
1	2	3	4	5	6	7
Part A	554	904	2	276	1,838	7
Part B	336	615	2	82	540	7
Part C	13	21	1	9	123*	14
	938	1,540	..	367	2,501	..

* Delhi alone accounts for 101 offices.

146. As stated above, statistics of places where no bank branches exist are not available, but since in our country the number of places with a population of less than 25,000 predominates, the need for further development of banking in smaller places is apparent. In this connection, it may be observed that bigger banks rely more on larger towns for their business while smaller ones comprising a majority of non-scheduled banks favour smaller towns. Thus out of 2,685 offices of scheduled banks in the Indian Union in 1953 (for which the latest figures are available), only 798 offices or 29.72 per cent. of the total were at places with population upto 25,000; the corresponding number for non-scheduled banks, however, was 699 constituting 55.13 per cent. of the total number of their offices.

** Figures taken from statement 33 of the "Trend and Progress of Banking in India for 1954 published by the Reserve Bank of India.

147. The problem of development of banking in rural areas has been receiving the attention of authorities over a long period; in this connection it would be relevant to consider the findings of the Rural Banking Enquiry Committee appointed by Government in 1949. The Reserve Bank of India has also conducted an All India Rural Credit Survey during the years 1951-53 and the report recently submitted by the Committee of Direction of the Survey also throws considerable light on this problem. It would be pertinent to consider the salient points contained in these two reports while investigating into the effects of the different awards on the development of banking in these areas.

148. The Rural Banking Enquiry Committee had suggested that commercial banks should be encouraged to expand their activities upto Taluka (Tehsil) centres or mandies or markets as it felt that these banks should play a greater part in rural finance, making advances against produce, gold, etc. The number of such Taluka or District headquarters which were, according to it, either not served or inadequately served by joint stock banks was 492. It further felt that development of commercial banking at these centres could be encouraged by removing any impediments in the way of such expansion, if necessary through Government assistance, but for various reasons, it did not favour the grant of cash subsidies by Government to commercial banks for this purpose. One of the recommendations made by the Committee was that, in so far as the high operating cost of semi-urban and rural offices of banks was due to the application of the Shops and Establishment Act and the awards of Industrial Tribunals, such Acts and awards should not be made applicable to the offices of banks in towns having a population of less than 50,000. Justification for this suggestion was also found in the fact that the work at such offices is seasonal in character and unless a certain amount of elasticity and informality is permitted in their working it would be difficult to run them economically and popularise banking among rural classes. According to the Committee, salary scales fixed largely with reference to conditions obtaining in large urban centres should not be made applicable to such areas as the cost of living therein was much lower than in the larger cities, particularly for locally recruited staff which had, in most cases, other alternative sources of income. In the opinion of the Committee, the salaries that banks should pay to their staff had to be related to the paying capacity of the area concerned as no bank could be expected to maintain branches which were uneconomic simply because its overall profits were good or its income at other offices was considerable.

149. The Rural Banking Enquiry Committee had also recommended assumption of a special role by the Imperial Bank of India which was required to open offices at semi-urban and rural centres in Part A and Part C States with the object of extending banking facilities there as well as for handling Government cash work. Out of 274 centres in the above-mentioned States, where the turnover on Government account was considered to be adequate, and whose business potentialities were, therefore, to be investigated into, the Imperial Bank of India, in consultation with the Reserve Bank of India, agreed to open 114 offices (including conversion of 13 treasury

pay offices into branch offices) within a period of five years from July 1951. Out of these proposed 114 centres, only 56 have a population of 30,000 or less. In this connection, however, it would be of interest to note the further observations made by the Committee in this behalf:—

“On the whole, the Imperial Bank of India and other commercial banks are not likely to find it worthwhile, under present conditions, to go beyond taluka (or tehsil) headquarter towns, mandis or market towns, or other towns of some commercial or industrial importance. They should be allowed and encouraged to expand to this extent, subject to the control exercised by the Reserve Bank on the opening of branches for maintaining healthy banking conditions.... Co-operative banks, whether they are branches of the provincial co-operative banks or of central banks, can be established both in large and small towns and go deeper into the rural areas than commercial banks, because their primary function is the financing of co-operative societies established in the villages.”

It would thus be seen that the Rural Banking Enquiry Committee had also visualised the financing of smaller places in rural areas by co-operative banks and societies and not by commercial banks. Upto the end of 1954 the Imperial Bank had opened 44 offices and converted 11 treasury pay offices into branch offices. The Imperial Bank had, however, informed the Reserve Bank in May 1954 that, if the Labour Appellate Tribunal decision was given effect to, it would find it extremely difficult to implement the expansion programme.

150. At the time the Labour Appellate Tribunal considered the appeals against the award of the Sastry Tribunal, the Government of India, acting on the recommendations of this Committee, made an application for exempting from the award towns having a population of 30,000 and less. **Government modified decision** The application was, however, rejected by the tribunal mainly on technical grounds. While modifying the decision of the Labour Appellate Tribunal by the Order dated the 24th August 1954, Government, however, created an additional area, viz. area 4, consisting of centres with population of 30,000 and less, and fixed for it lower scales of pay; at the same time Government completely exempted from the decision of the Labour Appellate Tribunal places in area 4 in Part B States and Part C States other than Delhi, Ajmer and Coorg.

151. I would now briefly indicate the nature of the relevant recommendations made by the other Committee. The Committee of **Report of the All India Rural Credit Survey-Proposal for the establishment of the State Bank of India** Direction of the All India Rural Credit Survey appointed by the Reserve Bank of India to go into the question of rural finance has gone a step further by recommending, as a part of the integrated scheme of reorganisation of rural credit proposed by it, the establishment of the State Bank of India by statutory amalgamation with the Imperial Bank of India ten major State-owned and State-associated banks. It has further recommended that,

if necessary, relatively smaller commercial banks whose branches are so situated as to be complementary to the operations of the proposed State Bank of India should also be integrated in it. The scope of the activities of the proposed State Bank of India as described in the words of the Committee itself covers "the creation of one strong, integrated, State-sponsored, State-partnered commercial banking institution with an effective machinery of branches spread over the whole country which by further expansion would be put in a position to take over cash work from non-banking treasuries and sub-treasuries, provide additional remittance facilities for co-operative and other banks thus stimulating the further establishment of such banks and generally their lending operations, in so far as having a bearing on rural credit, and follow a policy which, while not deviating from the canons of sound business, will be in effective consonance with national policies as expressed through the Central Government and the Reserve Bank of India."

152. The State Bank of India Act generally incorporating the recommendations of the Committee has been placed on the statute book in May 1955 and the State Bank of India has **Importance of the new State Bank of India** already come into existence as from the 1st July 1955 taking over as a going concern the Imperial Bank of India as from that date. The State Bank of India is required to open 400 new offices in rural areas within the next five years. The establishment of warehouses for the storage of agricultural produce under the aegis of State Governments and the setting up of regulated markets are some of the other measures proposed by the Committee, which would, if and when implemented, promote the creation of favourable conditions for commercial banks to expand in these areas. It would be realised that the main proposal made by the Committee was somewhat of a revolutionary character. It was undoubtedly based on the Committee's firm determination to advise the adoption of all legitimate means which would help the nation's objective of establishing a socialistic pattern of society at an early date. It is a matter of very great satisfaction that Government accepted this Committee's proposal in that behalf and introduced the necessary legislation with remarkable expedition. I feel that the scheme envisaged by the constitution of the State Bank of India would play a decisive part in the implementation of some of the important objectives of the Second Five Year Plan and I have no doubt that the significance of the change introduced by this legislation will be appreciated more and more as the objectives in view are accomplished by the State Bank of India in due course.

153. During the course of the present enquiry, information was elicited from banks as regards their estimates of pre-requisites for opening offices in towns with population of 30,000 **Problem of offices in towns with population of 30,000 and less** and less; banks were also asked whether according to them the weight of wages of employees was the only factor dissuading them from extending into these towns. They were further requested to advise the Commission whether they had any plan to open offices in the immediate future in towns situated in these areas and whether, in case area 5 as referred to above was excluded from the operation of the award, they would be prepared to consider an agreed programme of expansion into such towns.

154. It is clear from the replies received that the prospect of earning profits within a reasonable period of say two or three years was the foremost consideration in the minds of bankers in undertaking expansion of branches of offices in these places. This obviously postulates the acquisition of an adequate volume of deposits and/or advances and other acceptable remunerative business to enable the offices to fully cover their operational costs; these would be relatively low on account of the small amount of business usually available in small places. Other pre-requisites for opening of offices at these centres were availability of remittance facilities, adequate security measures, easy communication so as to facilitate control and supervision by the head office and suitable premises for housing these offices. Out of 56 reporting Indian banks, 32 have stated that they plan to open offices in smaller places in the immediate future; some of them, however, add that they would do so subject to favourable conditions; 23 banks have no such plan and one bank did not care to reply. Thus the consensus of opinion amongst these banks appears to be that the load of wages is an important factor which dissuades them from expanding into smaller places. However, it must be emphasized that the load of wages is not the sole or only determining factor. Many banks which have a plan to open offices in these towns are prepared to consider an agreed programme of expansion if such places in Part B and C States (excepting Delhi, Ajmer and Coorg) are exempted from the operation of awards; while a few others want similar towns in Part A States also to be so excluded, which, in fact, would mean total exemption of all places with a population of 30,000 and less.

155. It will be observed from the table given in paragraph 140 that out of the 458 and 259 offices of the reporting banks in areas 4 and 5 respectively as on the 30th June 1954 a class (Indian) banks accounted for the highest proportion (48 per cent) of the offices in area 4 followed by C class banks (29 per cent). In area 5, however, C class banks accounted for the highest proportion of offices at 42 per cent. It may further be noted that, whereas offices of A class (Indian) and B class banks in areas 4 and 5 constitute 27 per cent. of the total number of their offices, the corresponding percentage for C and D classes of banks is 41 per cent. It is, therefore, apparent from the above facts that A class (Indian) banks, which have the widest net-work of offices throughout the length and breadth of the country, have, as between areas 4 and 5, carried out their branch expansion activity to a greater extent in the former area than in the latter. Further, although A class (Indian) and B class banks, by virtue of their resources, have a larger aggregate number of offices in areas 4 and 5, C and D classes of banks have a greater dependence on those areas by virtue of a larger proportion of their offices being situated there. The A class (Foreign) banks have only one office in area 4, since they restrict their activities mainly to port towns and major cities.

156. Out of 56,106 workmen (both clerks and subordinates) of the reporting banks in all classes, 4,092 or 7.29 per cent. are accounted for by offices in area 4 (number of offices in this area constitutes 20 per cent of the total) and 1,760 or 3.14 per cent. by those in area 5 (offices

in this area constitute 11 per cent of the total) indicating that the staff at these offices is smaller as compared to that in offices in other areas due to the smaller volume of business transacted by them.

157. With a view to obtaining an insight into the working of banks in areas 4 and 5, a few offices of Indian banks from each class **Business at select-** were selected at random and figures relating to their **ed offices in areas** business were called for from them. Out of data **4 and 5** relating to 458 and 259 offices of Indian banks in areas 4 and 5, those for 93 and 68 offices respectively from the selected offices, were consolidated for this purpose. In a majority of these offices (73 per cent in area 4 and 63 per cent in area 5) their deposits exceeded advances as at the end of 1953. Although this may be partly due to the fact that the busy season comes into full swing a couple of months after December to which the figures obtained related, it would also appear that the hesitation on the part of commercial banks, particularly the bigger ones, to enter into any large commitments in these areas either for want of acceptable types of security like grains etc. or for want of proper storage arrangements, may also be a cause to some extent. 23 per cent of the offices selected from area 4 and 22 per cent of those from area 5 showed losses on the basis of head office interest as per the rates charged by banks themselves.

158. It would thus be evident that Indian joint stock banking, notwithstanding its development during the war period, has still to **Scope for further** expand in semi-urban and rural areas. While **branch expansion** financing of agricultural processes is more ap- **in areas 4 and 5** propriately within the scope of co-operative banking, short-term financing and the marketing operations of the agriculturists would be within the normal sphere of commercial banking. As observed by the report of the Rural Banking Enquiry Committee, commercial banks could very well extend their services upto Taluka (or Tehsil) headquarter towns, mandis and market centres. The Imperial Bank of India has already partly implemented the programme of expansion into smaller towns in Part A and Part C States. With the setting up of the State Bank of India—an institution whose operations would be guided by national interests—and with the responsibility cast on it to open, within the next five years, as many as 400 new offices including those at the District and Tehsil headquarters, the tempo of expansion would no doubt be quickened. Commercial banks should not be apprehensive of the competition from the State Bank of India and should plan their expansion programme so as not to duplicate banking facilities in smaller places. The expansion of offices of the State Bank of India into semi-urban and rural towns would, to some extent, do away with the necessity for commercial banks to maintain large cash balances in smaller places and consequently to make elaborate security arrangements. The anticipated rise in rural incomes with the development of the country, the creation of regulated markets and the establishment of ware-houses on extensive scales under the aegis of State Governments as envisaged in the Rural Credit Survey Report would also hold better prospects for commercial banks to extend their activities into the interior.

159. The business potentialities of semi-urban and rural centres are comparatively less, whereas a certain minimum **Problem of area** staff has to be maintained, however small an **4—Relevance of office** may be. It is, therefore, natural, as has been **national consider-** mentioned earlier, that banks in the private sector, **ations** guided as they are by the profit motive, should be hesitant to extend their services to places where the minimum operational costs of running an office are likely to exceed its earning capacity. It is not unlikely that operational costs may slightly vary as between bigger and smaller banks. However, the question whether bigger banks with their more modern operational methods or smaller regional banks with their greater adaptability to local conditions, or both in co-ordination and not in competition with each other, should expand into these centres is a matter for decision by the Reserve Bank of India which is the licensing authority in this respect. While financial soundness would evidently be one of the prime considerations in this regard, in so far as the Commission is concerned it would like to see that big as well as small banks are not deterred from opening offices at smaller places due to high operational costs; and that is one consideration which is obviously relevant in dealing with the problem of area 4. In making recommendations with the object of enabling banks to carry banking facilities to smaller areas and putting them within easy reach of the rural population, considerations of national good are naturally predominant. If it is true to say that banking business even in the private sector would be justified and would be expected to serve the national cause, then it would be relevant to make such recommendations as would encourage bankers to spread out in small rural areas. If, by creating area 4 and fixing for this area a lower wage structure, commercial banks are likely to spread out in rural areas, it would, I think, be worthwhile giving commercial banks the necessary facilities in that behalf. That is one aspect of the matter.

160. Moreover, even on the merits, much can be said in favour of the creation of area 4. The division of the country into three **The merits of the** banking areas has apparently resulted in the **creation of area 4** anomaly of including in area 3 places which cannot claim to be similar in material particulars. I apprehend it would not be unreasonable to assume that the cost of living in places where the population is 30,000 or less would not be the same as in places where the population is a lakh or above 30,000. I realise that a line has to be drawn somewhere and marginal cases would always constitute a challenge to any division. But by and large it appears to me to be reasonable to divide the area which is described as area 3 in the awards into two areas. Area 3 should consist of places where the population is between 30,000 and a lakh, and all places where the population is 30,000 or less should be constituted into a separate area. In this connection I may only refer to the argument which has been urged in support of the creation of this additional area that bankmen who work in branches situated in such places are not wholly dependent on their salaries for maintenance because usually they have some other source to supplement their income. In my opinion, therefore, even on strictly economic grounds it would be difficult to resist the creation of area 4. Besides, as I have just indicated, it is very likely that the

creation of area 4 may facilitate the spread of banking business into smaller places and that is not a minor consideration.

161. It appears that the merits of the problem in regard to the creation of area 4 were not placed before the Labour Appellate Tribunal. It is true that an application was made by Government for exempting all places where the population was 30,000 or less, and, as I have already indicated, this application came to be rejected principally on technical grounds. Even when this application was argued before the Labour Appellate Tribunal, it does not appear to have been urged before it that, if the Tribunal was not prepared to grant complete exemption to any area, it might consider the creation of area 4 and might devise a less onerous wage structure for this area. Since this aspect of the matter was not urged before the Labour Appellate Tribunal, it would be difficult to blame the Tribunal for not having considered it on the merits. I am, therefore, satisfied that, having regard to all the relevant considerations, Government were justified in creating area 4 and in prescribing for this area a less onerous wage structure.

162. It is now necessary to consider whether Government were justified in granting complete exemption to a part of area 4 which has been described in this report as area 5. This concession has been granted to the area in question on the assumption that places where the population is 30,000 or less in this area are relatively backward from the point of view of the spread of banking facilities and that they need a sort of special weightage or protection. As I have attempted to show in the earlier portion of this chapter, the assumption on which this provision appears to have been made is in fact invalid. The spread of banking business in Part B States cannot, I think, be described as inadequate in any sense. In fact, in some respects and during recent period, the growth of banking facilities in Part B States has been very remarkable indeed. Besides, if there are smaller places in Part B and C States that seem to need special protection, it would be difficult to deny that there are similar smaller places in Part A States such as Assam and Orissa which may claim protection in equal measure. If complete exemption from all industrial awards is the price which has to be paid for spreading banking facilities in any parts of the country, it would be invidious to confine these places only to Part B and C States as the Government modified decision seems to do. The facility would then have to be afforded to all backward places alike. Thus the first objection to the creation of area 5 is that it is partly based on a wrong assumption of fact, and in part it unjustifiably distinguishes between places in Part B and C States that need help and similar places in Part A States which would deserve similar help. In my opinion, the Government modified decision suffers from these two infirmities.

163. But apart from these considerations, my objection to complete exemption proceeds on principle. I do not feel inclined to subscribe to the view that even for the purpose of affording banking facilities to smaller areas in the country it would be legitimate or desirable to exempt banks functioning in these areas from the operation of any industrial

award. Complete exemption of this kind runs counter to the primary regulatory principles on which the whole industrial legislation of the country seems to proceed. If I may say so, with respect, granting complete exemption is, in the context of the present dispute, fundamentally inconsistent with the major assumption on which the State policy of establishing a socialistic pattern of society is based. Indeed, I would like to suggest that the Government of India should bring it to the notice of all State Governments that it is necessary and desirable that all one-State banks within their respective jurisdiction should be brought within the purview of suitable industrial legislation. I have already indicated that the creation of area 4 is justified and I feel no difficulty in conceding that a wage structure in smaller places may be so constructed as not to hamper the growth of banking facilities in the said area. But leaving bankmen serving in smaller areas without the protection of any industrial adjudication seems to me to be so completely inconsistent with the general "political and economic climate" of the country that I cannot help coming to the conclusion that the creation of area 5 and the granting of complete exemption to this area was unjustified.

164. I must, however, hasten to add that what I have stated about area 5 should not, in my opinion, apply to banks in **Problem of Travancore-Cochin State (except the Travancore Travancore-Cochin Bank)** for some time. I am dealing with this problem separately in another chapter of my report. I have there indicated that the difficulties confronting the banks in Travancore-Cochin are of such a complex nature and their solution is so much mixed with the problem of the general economy of the State that with great reluctance I have suggested that the exemption granted to area 5 should continue in regard to them. It would, therefore, be enough to mention at this place that, in my opinion, banks situated in Travancore-Cochin State should continue to have the benefit of complete exemption in respect of area 5 on the terms and conditions which would be indicated later.

SCOPE FOR ENLARGING PROFIT POTENTIALITY OF BANKS

165. Closely linked with the problem of development of banking and expansion of the area of operations of banks, is the question of **Need for increasing earnings and effecting economies** in their working expenses. Although ultimately **effecting economies** every bank has its own economy problem to solve depending upon any special features or peculiarities in its working, there would, however, appear to be scope for all banks to take concerted action in their efforts to increase their earnings and reduce expenditure. Banks, however, do not appear to have given sufficient thought to these aspects, as is evidenced by the very sketchy and vague replies received from them to the question whether they had explored the possibility of increasing their revenue and decreasing their expenditure (apart from establishment charges). A few of them have, however, taken the trouble to recount some of their difficulties and experiences in this regard. The Commission itself, by one of its terms of reference, is required to pay due regard, while making its recommendation, to any possibilities of effecting economies in the expenses of banking companies; the difficulties experienced by banks themselves have been duly considered by me

while dealing with this problem. *Whilst I am discussing the sources of possible addition to income of banks, I wish to make it perfectly clear, in order to avoid any possible misunderstanding, that in considering the capacity of banks to bear the burden of the Labour Appellate Tribunal decision, I have not taken into account any such possible addition to the income of banks.*

166. The revenue of banks falls mainly under five categories, viz., (1) interest and discount received on advances and bills; (2) dividend and interest received on investments in shares, debentures and trustee securities; (3) commission, exchange and brokerage; (4) profit from sale or revaluation of assets; and (5) other miscellaneous incomes. Banks have, however, no control over the second item comprising dividend or interest received on investments in shares, debentures and Government securities as the rates are generally fixed except in the case of dividends; any variations in the latter are dependent upon the working of the companies concerned and the decision of their Boards of Directors regarding the amount of net profits to be distributed amongst the shareholders. The profits made on sale or revaluation of assets are also factors over which banks have no control; these are mostly in the nature of windfall profits and are available only in case the market value of their assets, mostly investments, suddenly increases due to extraneous causes. The only items, therefore, which would add to the incomes of banks, mainly on account of the efforts which can be made by them, are interest or discount received by them on advances and bills, commission, exchange and brokerage and other miscellaneous incomes earned as a result of services rendered by them to their customers.

167. The main income of banks is derived from this source, as would be seen from the fact that it forms about three-fifths of the total gross income of the reporting banks, the percentage being highest for D class banks at over 80 per cent of their gross earnings. Although the average rates of interest charged by banks on advances have been slightly increased in recent times after the increase in the Bank Rate in 1951, there would appear to be some scope for further upward adjustment. On the basis of the figures of advances of the reporting banks outstanding as on the 31st December 1954 it has been estimated that the increase in the amount of interest earned by the different classes of banks with a slightly higher rate of interest would work out as given on page 97. Although it is not the general practice in this country to vary interest rates by such small fractions as $\frac{1}{4}$ per cent, it may perhaps be desirable to introduce such a practice in order to enable banks to quote finer rates for advances. As may be seen from the above table, an increase of $\frac{1}{4}$ per cent in the rate of interest by all banks would add to their income to the extent of nearly Rs. 0.58 crore and would cover about half the expected increase in the establishment expenses due to the application of the Labour Appellate Tribunal decision in the case of A class (Indian) and D class banks though in the case of B and C classes of banks the increase in earnings would cover only about one-fourth of the expected increase in the establishment charges under the decision. In this connection it has

been argued before the Commission by banks that banking is a highly competitive industry and in case any bank increases its rate of interest on advances, more likely than not it would lose business to some other bank which may under-quote it. Although this may be true to a certain extent, I feel that time has come when banks may have to take concerted action and come to some kind of agreement amongst themselves whereby not only floor rates on some categories of advances but also ceilings on deposit rates would have to be regulated by mutual agreement.

(Amounts in lakhs of rupees)

Class of banks	Amount of advances outstanding as on 31-12-1954*	Estimated increase in the amount of interest with an average increase in rate by		Increase in workmen's establishment in 1954** under L.A.T. decision over that under the frozen Sen award
		1/8 percent	1/4 percent.	
A (Indian)	260,81	32.60	65.20	59.33
A (foreign)	112,51	14.06	28.13	6.32
B	53,56	6.70	13.39	24.52
C	34,91	4.36	8.73	18.14
D	4,84	0.61	1.21	1.25
	466,63	58.33	116.66	109.56

* Preliminary.

** Excluding bonus.

168. Similarly, as in the case of interest on advances, commission, exchange, etc. charged by banks on bills purchased or for collection as well as on remittances made on account of customers etc. form a large portion of their income and is an item variable according to the rates charged by them. The chances of competition in this sphere can also be reduced by agreeing to certain minimum rates below which no bank should quote. An example in this connection has been well set by the Exchange Banks Association, which under its Rules enjoins upon its member banks to charge certain fixed rates of commission and exchange for doing foreign business. The opening of proposed branches by the State Bank of India at about 400 additional centres situated all over the country would also help commercial banks towards effecting remittances at much reduced rates of exchange. I have indicated earlier that some of the steps which I have suggested have been advocated by the Chairman of the Indian Banks' Association in his speech to the Association at the Association's last annual general meeting.

169. The main items of expenses of banks as would be seen from their published profit and loss accounts comprise (1) interest paid on deposits; (2) establishment charges; (3) rents, taxes, etc.; (4) stationery, printing and advertisement; (5) postage, stamps, telegrams; and (6) depreciation. As in the case of earnings, some of the above items like

Score for effecting economies

establishment charges of workmen, which are governed by the provisions of awards, are invariants and cannot be reduced. While there is usually very little scope for reducing the expenditure on the other items of miscellaneous expenses such as those other than 'interest paid', it would be worthwhile for banks to look into each one of these items of expenditure incurred by them and devise methods for reducing them. As regards reducing the quantum of interest paid by banks on deposits, I have already referred to this question in detail in Chapter V of this report, making therein relevant suggestions for bringing down deposit rates.

170. The question of reducing establishment charges naturally and inevitably centres round the high salaries paid to the supervisory staff. Some banks have represented to the **Establishment Charges** Commission that the emoluments paid to their officers are low in comparison to the emoluments of workmen under the proposed awards and in some cases the emoluments of clerical staff at the highest points in the pay-scales exceed those of junior officers. Barring the cases of such banks which belong mostly to C and D classes and a few in B class, those particularly belonging to A class (Indian) and A class (Foreign) appear to carry a proportionately very large burden of officer establishment charges to their total establishment expenses. A detailed reference to the former is being made in the next chapter. It would be enough to state at this place that a case for reducing the salaries paid to the top executives in the banking business appears to have been clearly made out. As the report of the Taxation Enquiry Commission itself has emphasized, "it is unrealistic to stress the disincentive effect of income-tax progression on the upper income groups, while the tax system calls upon the lower income groups who constitute the masses of the country to contribute an increasing portion of their meagre incomes".* The Commission, as I have already mentioned, has indicated its preference for reducing the gross disparities in income prevailing in this country by suggesting that "net personal incomes after tax.....generally speaking should not exceed approximately thirty times the prevailing average per family income in the country". It is true, as the Commission itself has pointed out, that this suggestion is not capable of immediate implementation. But time has arrived when serious and determined effort must be made to attain the said objective by implementing it stage by stage. Though the enforcement of such a ceiling, and consequent reduction in the emoluments of the highly paid officer staff, would not contribute materially towards finding the additional revenue necessary for meeting the increased burden of workmen establishment charges due to the application of the decision, the general levelling down of incomes would certainly have a strong psychological effect. May I add that during the course of this enquiry I have felt many times that bitterness in industrial disputes can be easily avoided if the psychological background relevant to the dispute and the interplay of psychological factors are appreciated by the parties concerned?

*Para 28, P. 154, of the report.

CHAPTER VIII

CAPACITY TO PAY OF CLASSES OF BANKS AND INDIVIDUAL UNITS

General considerations 171. As banks are credit institutions it is necessary that a complete study of their working should be made before determining their capacity to pay. It might sound platitudinous but it is nevertheless true that it would be erroneous to base conclusions on net profit only. The earnings of banks, no doubt, depend on their resources but these may vary from time to time and from bank to bank, and, therefore, the factors which influence their composition or volume must be taken into account. It is possible that the community's preference for liquidity may change, as was the case when demand deposits declined and time deposits went up, or that as a result of investment exceeding savings deficit financing may influence deposit formation. Similarly as disclosed profits of banks are influenced by considerations of dividend policy, it becomes necessary to see if the deductions made from gross earnings for bad and doubtful debts and for other usual or necessary provisions were reasonable or excessive; and what is reasonable or excessive can be determined only in the light of past provisions or quality of existing assets. Excessive provisions may be intentional or in some cases may be necessitated by lapses or errors of judgment on the part of management. Only when matters of such vital importance are studied it would become possible to assess the impact of additional wage burden. But, for obvious reasons, many things which came to my notice and which in fairness to the case of employees I should have liked to mention as they have impaired many banks' capacity to pay a reasonable wage, cannot find a place in this report. Nevertheless I have tried my best to consider all available material though my discussion of the problem in this report would inevitably be confined only to such information as can be disclosed in a public document.

Resources ; their composition 172. As said above the resources of banks are an important consideration in determining their capacity to pay since their earnings largely depend on the size of resources. This is evidenced by the fact that the three Tribunals—Sen, Sastry and Labour Appellate—classified banks according to their resources and prescribed scales of pay and allowances which would suit the resources of each class. In computing the resources or working capital of banks these Tribunals included capital, reserves and deposits. But it has been represented to me by the Bankers' Liaison Committee—and I agree with this view—that other items of liabilities excluding contra items should also be included in working capital as banks utilise these funds for increasing their earnings. Total working capital for the purpose of this report, therefore, includes capital, reserves, deposits, borrowings, branch adjustments (credit balances) and other liabilities excluding contra entries. The Employees' Liaison Committee represented to me that world resources of Indian banks (including their liabilities at foreign branches) should be taken into account for the purpose of their classification but I have decided not to interfere with the present basis of classification,

especially as information in respect of the liabilities of foreign branches, appears to be inadequate.

173. The paid-up capital of banks (excluding foreign banks) showed smaller increases every year and rose from Rs. 29·10 crores in 1948 to Rs. 29·82 crores at the end of June 1954. **Paid-up capital** ly as a result of this and partly due to the fall in the total working capital of banks under review, the percentage of paid-up capital to total working funds rose from 3·45 per cent in 1948 to 3·74 per cent at the end of June 1954. Almost the whole (97 per cent) of the paid-up capital of banks consists of ordinary share capital, the amount paid-up on preference shares being only Rs. 82 lakhs or about 3 per cent of the total. Taking the banks class-wise, the 7 A class banks account for more than half the paid-up capital, 8 banks in B class and 23 banks in C class account for about one-fifth and one-fourth of it respectively, leaving only about 3 per cent for the 18 D class banks. The position of the different classes of banks as between 1948 and June 1954 is shown below.

Paid-up capital of Indian banks

Class of banks	(Amount in thousands of rupees)	
	1948	30-6-1954
A	15,09,36	15,60,04
B	5,97,04	6,19,63
C	7,27,45	7,05,22
D	75,95	97,12
Total (56 banks)	<u>29,09,80</u>	<u>29,82,01</u>

174. As against a small increase of Rs. 72 lakhs in paid-up capital it is significant that reserves of Indian banks rose by over Rs. 3 crores from Rs. 21·43 crores in 1948 to Rs. 24·77 crores in June 1954 and formed 3·11 per cent of the total working capital of these banks in June 1954 as against 2·55 per cent in 1948. The position of reserves of each class of banks as between 1948 and June 1954 is shown below.

Reserves of Indian banks

Class of banks	(Amount in thousands of rupees)	
	1948	30-6-1954
A	16,51,06	17,95,15
B	3,22,23	4,16,21
C	1,63,07	2,39,50
D	16,60	26,33
Total (56 banks)	<u>21,52,96</u>	<u>24,77,19</u>

175. While reserves of all classes of banks rose over the period, reserves of smaller banks increased proportionately more than those of bigger ones. This was largely the result of the provision in the Banking Companies Act requiring banks to transfer to their statutory reserve fund 20 per cent of their net profits every year before paying any dividend until the former was equal to their paid-up capital. Some of the bigger banks like the Allahabad and the Imperial Banks have not added to their disclosed reserves since 1951. More than 90 per cent.

of the disclosed reserves of banks were held as statutory or general reserves. Other forms of disclosed reserves such as contingencies reserves, dividend equalisation fund, reserves for bad and doubtful debts, investment fluctuation fund and other reserves are less important and accounted for about 8 per cent of the reserves of banks. In many cases such reserves have fallen over the past six years.

176. It is a practice of banks to build up inner reserves so as to be able to meet losses arising from unforeseen circumstances without being required to disclose them to the public. The importance of such inner reserves to banks was proved in 1947 and 1951; in 1947 many banks had to suffer heavy losses on account of Partition and in 1951 owing to the raising of the bank rate many of them were faced with large depreciation in their securities portfolio. Some banks utilised a part of their inner reserves to writing off these losses. The inner reserves of banks, however, are not as large as it is generally believed. On the 31st December 1953 the inner reserves of reporting Indian banks formed 1.19 per cent of their risk assets. As said above during the period 1948-1954 a large portion of the inner reserves of these banks has been appropriated towards writing down depreciation on securities consequent upon the increase in the bank rate in 1951, thereby greatly reducing the amount of such reserves in the case of some banks and even completely wiping it out in the case of others.

177. Besides the above reserves, A and B class banks hold a balance of Rs. 2.89 crores in their provision for taxation account. But banks brought it to my notice that as assessment for taxation for several years was pending, it would not be right to treat the balance in this account as a sort of inner reserve. Although this contention appears to be valid, considering the level of assessment from year to year it would not be unreasonable to assume that a part of the balance would be available for unforeseen contingencies. In fact from the figures supplied by some banks it was clear that occasionally amounts were transferred from the provision for taxation account to meeting depreciation in securities and bad debts.

178. In calculating banks' working capital, however, I have not included either inner reserves or balance in the provision for taxation account but it is possible that banks may have shown them under current or other accounts. They, however, have been taken into account in measuring the hidden strength of banks to meet any sudden unpredictable depreciation in the book value of their assets. From the figures of reserves of the different classes of banks it is clear that only A class banks seem to possess adequate reserves. It is also they who have built-up inner reserves. The position of B class banks although not as strong as that of A class is certainly not a matter for concern. The reserves of C and D class banks need improvement. In assessing the additional burden on account of implementation of the Labour Appellate Tribunal decision, I have given due weight to the need for providing further reserves by B, C and D class banks. My recommendation to restore the Labour Appellate Tribunal decision in the case of A and B class banks and some C class banks is made after adequate consideration of their present position of reserves.

179. The deposits of banks under review fell from Rs. 895·14 crores in 1948 to Rs. 818·96 crores in 1949 owing mostly to the adverse balance of payments before the devaluation of September 1949. They remained more or less stable around

Deposits Rs. 815 crores to Rs. 820 crores in the next four years, but in the first six months of 1954 rose sharply by about Rs. 28 crores to Rs. 844·10 crores. Figures of subsequent addition are not available with the Commission, but in view of the fact that the deposits of scheduled banks as a whole rose by Rs. 91 crores in 1954, there is reason to believe that the deposits of banks under review must have sharply risen in the second half of the year.

180. While the total amount of deposits remained high, there has been a marked shift in the composition of deposits in recent years, especially after the raising of the Bank Rate in November 1951. Of the total deposits of Rs. 844·10 crores in the first half of 1954, Rs. 239·37 crores or 28·4 per cent of the total were fixed deposits, Rs. 136·09 crores or 16·1 per cent were savings deposits, Rs. 396·15 crores or 46·9 per cent were current deposits and the remaining Rs. 72·49 crores or 8·6 per cent were other deposits. In 1949 the position was somewhat different, more than half the deposits—55·3 per cent—were current deposits while fixed, savings and other deposits accounted for 24·6 per cent, 15·6 per cent and 4·5 per cent respectively of the total. The increase in fixed and savings deposits as compared to current deposits has meant a larger burden of interest charges for banks. Competition between banks for these deposits has forced the interest rates upwards and made even seasonal reduction somewhat difficult. I understand that an attempt was made to bring about an agreement among banks regarding deposit rates, but it did not fructify. From the sharply increasing burden of interest charges and the submission by banks before me that they could not reduce the rates of interest unilaterally, I feel that failing voluntary agreement between banks Government may have to consider the possibility of regulating deposit rates for the safety of funds. I do not, of course, underrate the difficulties of such a procedure but I would only add that it may be worthwhile to consider this aspect of the matter.

181. The increase in other deposits is mostly accounted for by what are known as call deposits which have greatly increased in recent years on account of the high rates at present ruling in the inter-bank call money market. The abnormal rise in these rates has been caused, I am told, by the competition of foreign banks for securing short-term resources locally after the sharp rise in the money rates in London following the bank rate increase. Advantage of this position is being taken by institutional depositors who are hitherto keeping large balances in their current accounts with banks earning no interest or only nominal interest by requiring their bankers to seasonally convert large portion of their idle current account balances into call deposits earning as high as 2 to 3 per cent interest. This is another factor which has contributed to increasing the interest burden on banks. I realise the difficulties of banks so long as there is no agreement among them in regard to deposit rates. But once such an agreement is arrived at or statutory regulation of deposit rates is applied, it should not be difficult for banks to devise regulations

making such switches between current account and call money difficult.

182. The total working capital of reporting banks amounted to Rs. 992 crores during the first half of 1954 as against Rs. 1022 crores in 1948 indicating a fall of Rs. 30 crores. It is possible that owing to the sharp increase in the deposits with banks in the second half of 1954 this deficiency has been more than made up; nearly four-fifths of these resources were accounted for by 18 A class banks, i.e. 7 Indian each with total working capital of over Rs. 25 crores and 11 foreign banks. The other three groups accounted for the remaining resources in the descending order of importance. It has been emphasised before me that the deposits of banks were declining affecting their earnings and therefore they would be unable to bear the Labour Appellate Tribunal burden. While it is true that the deposits of banks were declining for some years, it does not seem to have had any perceptible effect on the gross earning of banks. In fact these have continued to grow and banks have been able to bear the increasing burden of establishment charges without much difficulty. The year 1954 must be regraded as a turning point. The annual report on the "Trend and Progress of Banking in India for the year 1954" remarks (page 4): "Expanding resources and greater activity were the main characteristics of banking in India during 1954, in contrast to the relatively quiet year that preceded it. Deposit liabilities of scheduled banks recorded a sharp rise of Rs. 91 crores, both demand and time deposits participating in this increase; in the preceding year, the relatively small increase of Rs. 8 crores in deposit liabilities was wholly made up of an expansion in time deposits. The rising trend in deposits confirms the observation made in the report for 1953 that the post-Partition decline in deposits has been arrested; in fact a phase of deposit expansion, related in the main to the rising tempo of Government outlay under the Five-Year Plan, seems to have begun." This evaluation of the banking situation in India by the central banking authority of the country seems to hold an assurance that in the coming years the resources of banks would expand. With respect I accept this view and so in my assessment of the banks' capacity to pay I have made an assumption that their resources would increase in the next two or three years adding to their earnings.

183. Next to resources, statistics of earnings and expenses of banks have an important bearing on their capacity to pay. Outside factors over which banks have no control may affect either their earnings or expenses. For example, a business recession may cut into their earnings or necessitate larger provision for bad and doubtful debts.

So also a sudden spurt in business activity arising from national or international factors may have a stimulating effect on bank earnings. From the point of earnings and expenses of banks the post war period was eventful in that it witnessed the economic dislocation which followed Partition, the devaluation of the rupee, the outbreak of the Korean War, the raising of the bank rate and the change in the open market policy, and a short-lived business recession. It has also witnessed the implementation of the major portion of the first Five-Year Plan. The consequences of some of these events on the operations of banks were far-reaching as also sometimes conflicting and yet, it is gratifying

to note that the trend of bank earnings has been on the whole upward.

184. Gross earnings (before deductions) of banks as a whole showed two distinct phases during the period 1948-54. In the first phase which lasted upto 1950 gross earnings were more or less steady, in the sense that earnings in 1950 did not show any appreciable increase over those in 1948, though the year 1949 witnessed a short-lived rise. During this period it would appear that banks had not fully recovered from the losses resulting from economic dislocation ensuing from Partition. The second distinct phase of gross earnings commenced from 1951 when under the expansionist impulse of the Korean War boom earnings of banks rose sharply from Rs. 34.76 crores in 1950 to Rs. 41.51 crores in 1951; the net increase of Rs. 6.75 crores constituted the largest increase in earnings for any one year during the period under review. Gross earnings rose further by Rs. 1.86 crores in 1952 but declined by Rs. 1.35 crores in 1953. They have, however, increased again in 1954 to Rs. 44.37 crores, which is a peak level for the period 1948-54. The position of gross earnings of the different classes of banks as between 1948 and 1954 is shown in the table below.

Gross earnings of banks (1948-54)

(Amounts in thousands of rupees)

Class	1948	1949	1950	1951	1952	1953	1954*
A Indian . . .	18,20.41	18,58.17	17,98.24	20,41.26	21,50.64	21,31.61	23,22.18
A Foreign . . .	7,93.65	9,70.93	8,87.43	12,27.10	12,81.24	11,29.63	11,04.87
B	4,27.06	4,21.55	4,28.17	4,71.18	4,86.59	5,07.41	5,49.03
C	3,34.13	3,33.79	3,11.94	3,58.29	3,63.80	3,78.78	4,07.60
D	50.30	48.55	50.04	52.94	54.52	54.04	53.14
TOTAL	34,25.55	36,32.99	34,75.82	41,50.77	43,36.79	42,01.47	44,36.82

Net increase in gross earnings (1948-54)

(Amounts in thousands of rupees)

A class (Indian)	5,01.77
A class (foreign)	3,11.22
B	1,21.97
C	73.47
D	2.84

Thus, over the period (1948-54) each class of banks has shown an increase in gross earnings, with the largest net increase being recorded by the A class banks.

185. The expenses of banks have shown an almost consistent rise over the period from Rs. 23.28 crores in 1948 to Rs. 33.87 crores in 1953. In 1954 expenses amounted to Rs. 36.11 crores. Interest on deposits and borrowings and establishment charges account for the largest proportion of total expenses of banks. The rise in interest charges has been particularly

* Preliminary.

sharp after 1951 when following the changes in the Bank Rate and open market policy the deposit rates went up and the borrowings of banks increased. Establishment has constituted not only the largest single item of expenditure but also the only one to show a consistent rise during the period under review. The increase in the number of bank offices from 2,117 (as on the 1st January 1948*) to 2,317 (as on the 30th June 1954) however, appears to account partly for the rise in establishment charges. In the case of A and B class banks and for banks as a whole interest charges constituted a smaller proportion of total expenses than establishment in all the years, though in 1948 in the case of B class banks interest charges exceeded establishment. For C and D class banks interest charges exceeded establishment in all the years. The difference between interest and establishment charges is perceptibly narrowed in the case of foreign banks since 1951. The following table shows the net change in total expenses for each class of banks during 1948-54.

Net increase in total expenses 1948-54†

(Amounts in thousands of rupees)

A class (Indian)	6,67.42
A class (foreign)	3,85.25
B	1,49.72
C	77.08
D	3.75

† Figures for 1954 are preliminary.

186. The mere fact that establishment is the largest single item of expenditure for banks as a whole and for all classes individually except C and D class banks, and a consistently rising item for all banks, is not surprising. Banking is essentially a labour intensive occupation where the proportion of wage cost to total cost is bound to be higher. Moreover the existence of a time scale postulates a sustained rise in the wage bill; it would be steep in the initial stages of the introduction of a time scale, but will flatten out as a more balanced staff position develops. It is, however, significant that in all the years under review while expenses were going up gross earnings of banks were also going up as shown in the table below.

(Amounts in crores of rupees)

Year	Establishment	Progressive rise	Total expenses	Progressive rise	Gross earnings	Progressive rise
1948	10.14	..	23.28	..	34.26	..
1949	11.32	1.18	24.57	1.29	36.33	2.07
1950	12.47	2.33	25.46	2.18	34.76	0.50
1951	13.73	3.59	29.76	6.48	41.51	7.25
1952	14.64	4.50	33.97	10.69	43.37	9.11
1953	15.35	5.21	33.87	10.59	42.01	7.75
1954 P	16.21	6.07	36.11	12.83	44.37	10.11
Net change 1948-54	..	6.07	..	12.83	..	10.11

P—Preliminary.

* Offices of one bank are as on the 1st January 1949.

It is significant that of the total increase in expenses of Rs. 12.83 crores increase in establishment has accounted for only Rs. 6.07 crores. This includes rise on account of increase in staff and officer establishment also.

187. The net profits of A (Indian), B and C class banks, as the table below shows declined between 1948 and 1950. Those of D class banks increased during the same period, whereas foreign banks profits showed a rise between 1948 and 1949 and a decline in 1950. The declining trend of net profits during these years must be attributed to the fall in deposits and the dislocation of business with Pakistan as a result of the exchange rate controversy.

*Net profits of banks (1948-54)
(Indian business)*

(Exclusive of amounts brought forward)

(Amounts in thousands of rupees)

Class	1948	1949	1950	1951	1952	1953	P 1954
A Indian . . .	6,06,51	5,91,81	4,59,84	4,88,72	4,99,01	4,15,86	4,40,87
A Foreign . . .	3,13,83	4,13,24	3,15,76	5,21,85	2,96,12	2,53,57	2,39,80
B	1,12,57	1,05,19	1,00,03	1,01,31	86,08	83,44	84,82
C	59,41	60,26	46,80	55,18	52,78	55,64	55,79
D	5,31	5,18	7,86	7,99	6,27	5,39	4,42
	10,97,63	11,75,68	9,30,29	11,75,05	9,40,26	8,13,90	8,25,70

P—Preliminary

From 1951 there appears to be greater divergence in the class-wise trends. Foreign bank profits after a sharp rise in 1951 fell off consistently while those of A class (Indian) banks increased in 1951 and 1952 but declined in 1953. Parliamentary figures for 1954 show a moderate rise. The profits of B and C class banks showed a small rise in 1951; in the case of B class banks the decline continued in 1952 and 1953 but C class banks showed recovery in 1953 after some decline in 1952. In 1954 both classes showed small recovery. D class banks' profits registered further rise in 1951 and fell off precipitiously in 1952—54. The decline in net profits of banks from 1951 is largely accounted for the rise in interest charges and establishment expenses. Despite this the drop in net profits as between 1950 when the Sen award was implemented and 1954 is only of the order of Rs. 1.05 crores.

188. As indicated earlier, since reserves are already equal to paid-up capital in the case of 6 out of 7 banks in A class (Indian), allocation for this item showed a decreasing percentage of net profit from 7.25 per cent. in 1948 to 1.78 per cent in 1953. Only 3 out of 8 B class banks have reserves equal to paid-up capital and therefore the percentage of allocation was relatively higher at about 18 to 20 per cent. In C class only 4 out of 23 banks have reserves equal to paid-up capital; in their case the average allocation to reserves therefore

* Relates to net profit and balance brought forward for the entire business.

works out at about 26 per cent. Of the 18 banks in D class only 2 have reserves equal to paid-up capital; and therefore the average allocation to reserves is much higher being over 40 per cent. It may be noted that in the case of majority of B, C and D class banks provision for statutory reserves under section 17 of the Banking Companies Act would be operative. Total provision for reserves during the period 1948—53 by each class of banks is shown below:

(Amounts in thousands of rupees)

Class	Provision for reserves 1948-53
A (Indian)	124,04
A (foreign)	1,40
B	134,10
C	93,66
D	11,32

189. Provision for taxation accounts for an average of 42·84 per cent of net profits of foreign banks for the years 1948 to 1953 and is the largest single item of allocations for the class. The corresponding averages for other classes of banks are as follows:

Class	Taxation as percentage of net profit
A (Indian)	21·11
B	28·19
C	31·62
.	49·70

190. Among Indian banks A and 7 B class banks have been regularly paying dividend during the period 1948—54. One bank in B class started paying dividend from 1950. Despite their varying record, 14 out of 23 banks in C class have been paying dividend in recent years, while the corresponding number for D class is 11 out of 18. Only a few banks have maintained their dividend constant through the war and post-war years.

(Amounts in thousands of rupees)

Class	Provision for dividend and bonus to shareholders (Average for 1948-53)
A (Indian)	1,90,52
A (foreign) . . . . .	..
B	34,61
C	11,88
D	2,25

191. A class (Indian) banks' bonus payments to their employees are as a percentage of net profit the highest among the different classes of banks. On an average it has amounted to 14 to 15 per cent in most years. In absolute amounts the bonus disbursements of these banks showed a steady rise between 1948 and 1951 but declined thereafter. The foreign banks are the only class of banks whose bonus payments have showed a consistent rise in absolute amounts during 1948-53. Bonus paid by B and D class banks has shown small variations while that paid by C class has sharply risen from 1951. The payment of bonus A, B, C and D class banks is shown below.

Bonus payments to employees

(Amounts in thousands of rupees)

Class	1948	1949	1950	1951	1952	1953	Average 1948-53
A (Indian)	75,38	83,54	90,15	98,17	93,79	83,60	87,44
A (foreign)	13,66	15,70	20,38	24,58	26,12	26,23	21,11
B	8,08	7,18	7,89	7,32	7,69	8,76	7,82
C	2,01	2,79	2,34	3,49	3,54	3,30	2,91
D	38	36	40	46	29	31	37
TOTAL	99,51	109,57	121,16	134,02	131,43	122,20	119,65

192. The problem of depreciation came to the force with the stepping up of the bank rate in November 1951. The subsequent fall in security values necessitated larger provision for depreciation. As stated earlier, banks which had inner reserves used them for writing off depreciation. Others allowed it to remain uncovered but reduced it from year to year by appropriations from current net profit. In the case of the latter banks the position was considerably eased by the concession given to banks to show the valuation of investments at their average market value during the second half of 1951 instead of at the market value as on the date of the balance-sheet. The provision for depreciation made by the different classes of banks is shown below:

(Amounts in thousands of rupees)

Class	1948	1949	1950	1951	1952	1953
A (Indian)	52,00	95,49	30,23	1,14,95	52,50	21,85
A (foreign)	10	59	1,33	4,98	45	..
B	2,77	4,10	6,50	22,00	1,50	50
C	2,50	50	94	7,01	10,07	1,79
D	4	10	2	22	2	1
TOTAL	57,41	1,00,78	39,02	1,49,16	64,54	24,15

193. In the matter of implementation of the Labour Appellate Tribunal decision, argument has centred around the fact that net profits of banks have been declining. It is argued that if this trend

were to continue as a result of further additional burden, it would seriously affected their ability to provide for reserves and maintain dividend. I recognise the force of this argument but as I have pointed out at the beginning of this chapter net profits are largely determined by the considerations of dividend policy of banks. Net profits, therefore, have to be considered, as I have done, along with provision for inner reserves made by banks. Although most banks made no such provision, in the case of some it was substantial. Even if it is granted that net profits have been declining, none of the important banks excepting one has been required to cut down its dividend. Since most of the bankers who were examined by me agreed that earning would not fall below the level of 1954, I do not visualise the trend to deepen. In this assumption I am fortified by the fact that the 18 larger scheduled banks to whose profits a reference was made earlier, have been able to show a rise in net profits of the order of Rs. 40 lakhs in 1954 in contrast to a fall of Rs. 30 lakhs in 1953. The net profits* of these banks from 1950 show no serious variation:

1950	.	.	.	.	.	Rs. 4.9 crores
1951	.	.	.	.	.	Rs. 5.4 „
1952	.	.	.	.	.	Rs. 5.2 „
1953	.	.	.	.	.	Rs. 4.9 „
1954	.	.	.	.	.	Rs. 5.3 „

194. Detailed particulars of their establishment expenses have been supplied by banks under questions 17, 18 and 19 of the questionnaire. **Establishment expenses—clerks and subordinates** The information supplied under question 17A(ii) gives particulars of the actual establishment expenses of banks in respect of their clerical and subordinate staff in the two years preceding that in which the Sen award was enforced, the cost under the Sen award as enforced, the estimates of the expenditure that these banks would have had to incur in 1953 had they paid their workmen according to the Sastry award and the estimates for similar expenses in 1954 as per Sastry Award, the Labour Appellate Tribunal decision and Government modified decision. It may be noted here that banks which had not implemented the Sen award or had implemented it only partially have shown the actual establishment charges borne by them during the years 1951—53 and estimates for 1954, as per the directions given in the questionnaire. Banks have also submitted under question 17A(iii) their estimates for the years 1955 to 1957 under the Labour Appellate Tribunal decision and Government modified decision on the basis of their staff position (clerks and subordinates) as on the 30th June 1954. Similar information in respect of banks' contribution to provident fund for the years 1948 to 1957 and the amount of expenses incurred or expected to be incurred in each of the years 1951 to 1957 on account of gratuity (including pension funds) has been supplied under questions 18 and 19 respectively. Some of the banks have also given the required information regarding gratuity even for the earlier years. This has, however, been ignored in the following study for the sake of uniformity. The material that is available with the Commission

* c.f. The Trend and Progress of Banking in India for the years 1957-54.

is thus detailed as well as comprehensive. However, before proceeding with the analysis thereof it will be of interest to make a survey of the salary scales that were in force before the Sen Tribunal gave its award.

195. Upto the end of the second world war there was no rational basis for the pay scales of bank employees. Each bank followed its own wage policy with the result that there was a bewildering variety of scales of pay and allowances in the banking industry. Since 1946, however, the pay and allowances of bank employees formed a subject of adjudication in certain States, particularly in Bombay and Bengal. These regional awards primarily affected the pay scales prevalent in A class banks as some of these, being parties to the dispute, were obliged to give effect to the recommendations of the regional adjudicators while some others voluntarily revised their pay scales to bring them in line with such recommendations. In general, however, these regional awards exerted only limited influence and banks directly connected with such awards continued to pay their staff at places other than those covered by these awards as per their own scales. Such conditions naturally resulted in the existence of numerous scales of pay and allowances within the same institution.

196. From a study of the pre-Sen scales of some of the A class Indian and foreign banks it appears that except at places where a particular regional award fixed a higher remuneration, the salary offered by these institutions to a clerk at the commencement of his service was generally around Rs. 55—60 per month. In certain cases, however, the starting salary was lower at Rs. 45 only. Almost all of these banks had more than one scale in force and the maximum in the highest scale in such cases generally fluctuated between Rs. 250 and Rs. 275 except in the case of one Indian bank, where Rs. 125/- was the maximum amount that a clerk could expect to get. Two of the foreign banks were more liberal in this regard than the other units in this class. In their cases the maximum was in the region of Rs. 500. The pre-Sen salary scales pertaining to clerks as prevalent in this class of banks thus did not show much variation as between the individual units. In other classes of banks, however, the variations in this regard were much wider and as some of these banks apart from maintaining the usual distinction between graduates and under-graduates, had separate scales of pay for bill collectors, godown keepers etc., the difference became more apparent. The minimum salary that B class banks offered to a person intending to join their service as a clerk varied between Rs. 35 and Rs. 55 depending upon the situation of the office where such a person was seeking employment, while the maximum that he could hope to get in the highest scale pertaining to the clerical cadre was something between Rs. 150 and Rs. 275. Similarly the lowest salary for clerks in C class banks differed from bank to bank, one institution having as low a starting salary as Rs. 20. Such salaries offered by others ranged between Rs. 25 and Rs. 55. The maximum limit in the highest scale in these banks varied between Rs. 80 and Rs. 260. The position regarding the salary scales prevalent in D class banks was more or less the same as in the case of C class banks, with the difference that the upper limit of the highest scale

in force in this class of banks did not exceed Rs. 120 and was not lower than Rs. 60.

197. The pre-Sen scales of pay of the subordinate staff reveal a lesser degree of variation as between A, B and C classes of banks and the individual units included in these classes. **Subordinates** Thus, in the case of A class banks (both Indian and foreign) a subordinate employee generally received a basic salary of about Rs. 15 or Rs. 20 at the start of his career. The maximum in the highest scale was also generally fixed at Rs. 65. In a few isolated cases, however, the starting salary in the lowest grade and the maximum in the highest grade were different from the scales generally obtaining in this class of banks. The scales prevalent in some of the banks included in B class were either indetical with or differed only to a small extent from those in force in some of the bigger Indian banks in A class. The subordinate staff in C class banks, however, received remuneration at a lower rate although the maximum in the highest grade varied between Rs. 50 and Rs. 60 as against Rs. 55 and Rs. 65 in the case of B class banks. The pay scales of this category of staff employed by some of the D class banks were much lower than those paid by the other classes of banks. In certain cases the lowest paid member of the subordinate staff received only Rs. 5 as salary, while the upper limit in the best scale in force in some of the institutions did not exceed Rs. 35. It was only in one case amongst the banks in this class, whose pay scales have been studied, that the salary paid to the subordinate staff was comparable with that paid in other institutions in the higher classes.

Effects on establishment of clerical and subordinate staff as a result of the awards.

198. I now proceed to assess the effect of the various awards on the total establishment expenses incurred by banks in respect of their clerical and subordinate staff. The study is based on **Consolidated position of all banks** the per head expenses incurred by banks under dispute in respect of the above categories of employees as the number of such staff has fluctuated from year to year. In order to bring out the effect of each of the awards on establishment charges, the Commission has compared the per head expenses on account of these employees in 1953 under the Sen as well as the Sastry awards with such expenses in 1952. Similarly, the per head establishment cost as per the Sen award in 1954 has been taken as the base for the purpose of comparison of the relative figures under the other awards for the years 1954 to 1957. The per head expenses in 1951 and 1952 have been compared with such costs in 1950 and 1951 respectively. I have also indicated at appropriate places the increase in the establishment charges of these banks under the Labour Appellate Tribunal decision relatively to the expenses under Government Modification.

199. A word of caution is, however, necessary. The study of the impact of the various awards is based on the figures supplied by banks. Owing to the large number of staff in respect of whom statistics of salaries and allowances under the various awards were called for, it was possible for the Commission to satisfy itself about

the accuracy of such statistics by sample checking only. Consequently, if in certain cases the trends observed are *prima facie* inexplicable it is possibly due to errors in compilation of the necessary information by banks themselves.

200. The per head establishment charges for the above class of employees (for the years 1950 to 1957) under each component of the establishment expenses, calculated on the basis of the consolidated figures for all classes of banks and for each class of banks separately, are shown in statement No. 16 appended to the report.

201. Before proceeding to comment upon these statements, it is necessary to recapitulate briefly the history of the Sen award after its publication. The award was published in August 1950 and the directions contained therein were required to be implemented by the various classes of banks within certain stipulated periods. Banks included in C class for the purpose of the award were given the longest time and were asked to give effect to the Tribunal's directions by February 1951. The first impact of this award on the establishment charges of banks under consideration is, therefore, visible in a more marked rise in per head establishment expenses of these banks in 1951 as compared to the rise in such expenses in 1952. The percentage rise in such expenses under the Sen award in 1953 is again lower compared to that in 1952 on account of the gradual absorption of the initial impact of the award. The rise in such expenses under the Sen award in 1954 over that incurred in 1953 under the same award perhaps represents the normal increases in the establishment charges as per this award.

202. The award of the Sastry Tribunal reduced the total remuneration of employees and accordingly the estimated establishment expenses of banks under this award in 1953 and 1954 are lower than those incurred under the Sen award in 1952 and 1954. As compared to the per head expenses of banks in 1952, the expenses under the Sastry award for 1953 are lower by 0.34 per cent., the decrease in such expenses for 1954 as compared to those incurred under the Sen award for the same year is 1.94 per cent. The per head cost under both the Labour Appellate Tribunal decision and Government Modification for 1954, however, is more by 10.52 per cent. and 3.78 per cent. respectively as compared to the Sen 1954 expenses. In the subsequent years the per head cost under both these decisions shows a rise relatively to similar expenses under the Sen award in 1954 to the extent shown in the following table:

	1955 Percent	1956 Percent	1957 Percent
Labour Appellate Tribunal decision	14.79	18.83	23.10
Government Modification	6.53	9.23	11.98

A comparative study of the estimated per head costs for the years 1954 and 1957 as per the decision of the Labour Appellate Tribunal and Government Modification reveals the following position.

Consolidated position of all banks

	1954			1957		
	Labour Appellate decision Tribunal	Govt. Modifica- tion	Percentage rise or fall of L.A.T. over G.M.	Labour Appellate decision	Govt. Modifica- tion	Percentage rise or fall of L.A.T. over G.M.
	Rs.	Rs.		Rs.	Rs.	
Basic pay . . .	1,154	1,133	+1·85	1,317	1,296	+1·62
Dearness allowance . . .	607	429	+41·29	650	468	+38·89
Other allowances . . .	101	177	-42·94	102	103	-0·97
Provident fund . . .	97	94	+3·19	111	108	+2·78
Gratuity . . .	90	89	+1·12	101	101	..
TOTAL . . .	2,408	1,923	+6·50	2,281	2,075	+9·93

Owing to rounding off details may not add up to totals.

203. An examination of the effect of the awards on the total establishment expenses of each class of banks reveals that while the increase in 1951 as compared to 1950 in the per head expenses of banks in B class and C class was of the order of 25·82 per cent and 12·32 per cent. respectively, the corresponding rise in such expenses of A class (Indian) banks, A class (foreign) banks and those included in D class was 10·75 per cent., 5·46 per cent. and 5·65 per cent. respectively. The reason for the disparity in the rise in the per head cost as between the first group and A class banks lies in the fact that the pre-Sen scales of pay and allowances of the majority of B class and C class banks were lower than those prevalent in A class banks. Consequently, the first impact of the Sen award resulted in a steeper rise in the establishment costs of B class and C class banks than in the case of A class banks. It will, however, be observed that the difference between the percentage rise in the per head cost of workmen of A class (Indian) and C class banks is not much. This is mainly due to the fact that expenses incurred in 1950 by A class (Indian) banks on account of pension fund have not been taken into account for the purpose of this study. If such expenses were included in the aggregate establishment cost of these banks for 1950, the percentage rise in the per head expenses in 1951 would work out approximately to 4·77 per cent. only. Similarly, the increase in 1951 in the case of foreign banks would be about 3·52 per cent.

204. About fifteen out of the eighteen D class banks under consideration by the Commission, did not implement the Sen award. The impact of this award was, therefore, felt to a much lesser extent by these banks than those in A and B classes. It was also because of the non-implementation or partial implementation of the Sen award by about 48 per cent. of C class banks that the increase in the establishment cost of this class of banks in 1951 was almost half of that in the case of B class banks.

205. The effect of the non-implementation or partial implementation of the Sen award by some of the above classes of banks is also reflected in an increase (instead of a decrease) in their per head expenses for 1953 under the Sastry award compared to such expenses in 1952; the percentage rise in the case of B, C and D-class

banks being 5.27 per cent, 5.95 per cent and 22.96 per cent respectively. A similar comparison of costs in respect of A class (India) and A class (foreign) banks reveals that the per head establishment expenses of such banks are lower under the Sastry award by 1.17 per cent and 3.97 per cent respectively. As compared to the cost under the Sen award in 1954, the Sastry expenses for the same year are lower by 2.78 per cent and 5.39 per cent respectively for A class Indian and foreign banks. As regards the other categories of banks, the increase in their per head cost in 1954 under the Sastry award is less pronounced than that in the earlier year.

206. The effect of the Labour Appellate Tribunal decision on the per head expenses of all classes of banks in 1954 is, however, uniform inasmuch as cost under the decision is more in the case of each class of banks as compared to their corresponding expenses under the Sen award in 1954. The rise on this account is more pronounced in the case of B class (19.96 per cent) and C class (26.15 per cent) banks than A class (Indian) (9.38 per cent) and D class (15.29 per cent) banks. The increase in the per head expenses of foreign banks is only 3.01 per cent.

207. In keeping with the general expectation, the per head cost of each class of banks in 1954 under Government modified decision is lower than similar expenses under the Labour Appellate Tribunal decision. Consequently, the increase in the per head cost for banks under Government Modification, relatively to the cost under the Sen award in 1954, is less than that under the Labour Appellate Tribunal decision. In fact in the case of foreign banks, the per head cost in 1954 as per Government Modification is even less than the corresponding expenses under the Sen award. The difference in the costs under the Labour Appellate Tribunal decision and Government Modification is not much in the case of D class banks but comparatively larger in the case of the other classes of banks. The per head cost under Government Modification of A class (Indian) banks in 1954 shows an increase of 3.30 per cent over the corresponding expenses under the Sen award, the relative figures for B, C and D class banks being 9.71 per cent, 8.77 per cent and 13.62 per cent respectively. The position regarding such costs in the years 1955 to 1957 does not require any comment except to the extent that, as is natural, the per head cost of every class of banks will increase from year to year and consequently the proportion of such expenses to the per head expenses under the Sen award will also increase. The position in this regard in 1957 will be as follows:

Percentage rise in per head expenses—1957

(Base : Sen—1954)

	Labour Appellate Tribunal decision	Government Modification
A (Indian)	21.44	10.74
A (Foreign)	13.90	6.13
B	37.39	23.72
C	39.36	18.51
D	30.47	27.96

208. I shall now deal with the impact of the awards referred to above on each component of the establishment charges of various classes of banks. For this purpose I have generally confined the study

to the year 1954 as in this year there are only nominal variations in the number of workmen in respect of whom the necessary information has been supplied under each of the awards.

A class (Indian) banks

209. The salary scales laid down by the Sen Tribunal were in all cases higher than those given by the later tribunals. As a result the per head expenses on account of basic pay of banks in A class (all of which had implemented the Sen award) is lower under the subsequent Tribunals. The extent of the relief in the per head expenses in 1954 works out to 4.67 per cent, 0.42 per cent and 2.63 per cent respectively under the Sastry award, the Labour Appellate Tribunal decision and Government Modification. The expected rise under this head in the years 1955 to 1957 is also not of a high order. The increase in the per head basic pay in 1957 under the Labour Appellate Tribunal decision over that under the Sen award in 1954 is 13.34 per cent., the corresponding rise under Government Modification being 11.13 per cent.

210. Under dearness allowance the per head expense in 1954 as per the Sastry award is slightly lower (by 0.70 per cent) than the corresponding expenses under the Sen award for the same year. The difference between the cost on this account under the Sen award and Government Modification is also not much, the rise under the latter being 1.39 per cent. only. The effect of the Labour Appellate Tribunal decision, however, is much more. For 1954, the per head expense under this decision is higher by 40.37 per cent. than that incurred under the Sen award. In the subsequent years (1955-57) this cost is expected to increase progressively and in 1957 the cost under the Labour Appellate Tribunal decision is expected to be higher by about 50.58 per cent. than the corresponding expense as per Sen award in 1954. The relative rise under Government Modification works out to 10.67 per cent. only.

211. The per head other allowances payable by this class of banks as per the Sastry award and Labour Appellate Tribunal decision are almost the same for the year 1954 and are slightly lower than that paid under the Sen award, the decrease being 2.17 per cent. and 3.26 per cent. respectively. The expense on this account under Government Modification is, however, higher due to the inclusion of the amount of Temporary adjustment allowance payable to employees who are expected to receive a lower remuneration under Government Modification as per the scheme laid down in the Government Order. In 1954, the per head cost under Government Modification represents a rise of about 83.70 per cent. over the expense for the same year under the Sen award. This ratio has come down rather steeply in course of the next years. In 1957 the aggregate expense under Government Modification is lower by about 5.43 per cent. than the relative expense in 1954 under the Sen award.

212. In respect of provident fund, the per head expense under the Sastry award in 1954 shows a rise of 8.14 per cent. over the corresponding cost under the Sen award, while the relative increase under the Labour Appellate Tribunal decision and Government Modification works out to 12.79 per cent and 10.47 per cent respectively. The reason for the rise in the per head cost on account of provident fund under the

later awards, in spite of the basic pay thereunder being lower than that prescribed by the Sen Tribunal is to be found in the difference between the directions given by the Sen and Sastry Tribunals regarding the rate of contribution by employees (and consequently employers) to provident fund. Although both the Tribunals directed banks to revise their existing provident fund rules on the lines of the Model Rules prepared by Government, the Sen Tribunal left the choice of the rate of contribution to employees whereas the Sastry Tribunal definitely indicated that such contribution by employees of A and B class banks should not be less than 8-1/3 per cent of the monthly pay of the employees concerned. It is likely that this direction of the Sastry Tribunal, which has not been modified either by the Labour Appellate Tribunal or Government, has resulted in an increase in the estimated expenses of some banks and has thus caused a rise in the aggregate per head expense of banks in this class [as well as those included in A class (foreign) and B class] relatively to the cost under the Sen award. In the subsequent years the proportionate rise in the per head cost under the Labour Appellate Tribunal decision is higher than that under Government Modification, thereby reflecting the effect of the modification by Government of the Labour Appellate Tribunal decision to retain the three-fold classification of areas as adopted by the previous tribunals.

213. As regards gratuity, while the per head expense in 1954 as per the Sastry award is the same as that incurred under the Sen award, the estimated costs under the Labour Appellate Tribunal decision and Government Modification work out to figures which are higher by about 1.64 per cent and 0.82 per cent respectively than the corresponding expense under the Sen award. By 1957, the cost on this account under both the Labour Appellate Tribunal decision and Government Modification is expected to show a rise of about 9.02 per cent relatively to the expense in 1954 as per the Sen award.

214. A comparative position of the per head establishment charges of these banks for the years 1954 and 1957, calculated on the basis of the decision of the Labour Appellate Tribunal and Government Modification is shown in the following table:

	1954			1957		
	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.
	Rs.	Rs.		Rs.	Rs.	
Basic pay . . .	1,172	1,146	+2.27	1,334	1,308	+1.99
Dearness allowance . . .	605	437	+38.44	649	477	+36.06
Other allowances . . .	89	169	-47.34	90	87	+3.45
Provident fund . . .	97	95	+2.11	111	108	+2.78
Gratuity . . .	124	123	+0.81	133	133	..
TOTAL . . .	2,087	1,971*	+5.89	2,317	2,113	+9.65

* The components do not add up to total expenses due to rounding off.

A class (foreign) banks

215. The decrease in the per head expense in 1954 in respect of basic pay as between the Sen and the other awards is more marked in the case of these banks than such decrease in expenses of A class (Indian) banks. Thus, in 1954 the per head cost of the foreign banks under the Sastry award, the decision of the Labour Appellate Tribunal and Government Modification is lower by 13.84 per cent, 12.68 per cent and 13.12 per cent respectively as compared to the cost for the same year under the Sen award. In the future years (1955—57) also the per head expense of these banks under the Labour Appellate Tribunal decision and Government Modification is expected to be lower than that incurred by them in 1954 under the Sen award. In 1957, the per head expense under this head, calculated as per the Labour Appellate Tribunal and Government modified decisions, is expected to be lower by 2.98 per cent and 3.20 per cent respectively than that under the Sen award in 1954.

216. The per head cost of these banks in respect of dearness allowance is, however, much higher than that of their Indian counterparts. In 1954, the increase in the per head cost on account of the above allowance under the Sastry award, the Labour Appellate Tribunal decision and Government Modification, relatively to the cost under the Sen award for the same year, works out to 21.85 per cent., 67.86 per cent. and 22.90 per cent respectively. By 1957, such cost under the Labour Appellate Tribunal decision and Government Modification is expected to be higher by 81.30 per cent. and 34.24 per cent. respectively over the Sen expenses in 1954. The difference in the effect on Indian and foreign banks in class is accounted for partly by the location of their offices and partly by the option exercised by the employees in many foreign banks for the banks' scales which provided for higher dearness allowance.

217. As regards other allowances, the effect of the various awards on this item is similar to that noticed in the case of A class (Indian) banks. Excepting under Government modified decision, the per head expense of foreign banks under the other awards is lower than that under the Sen award. The cost in 1954 under Government Modification is higher by 66.67 per cent. than the relative cost under the Sen award. In 1957, however, the expense under Government Modification is lower by 2.30 per cent. as compared to the cost under the Sen award in 1954.

218. In the case of these banks the per head expense in 1954 in respect of provident fund reveals small increase under the various awards. Thus while the expense on this account under the Sastry award is higher by 6.21 per cent. than that under the Sen award in 1954, the relative increase under the Labour Appellate Tribunal decision and Government Modification represents a rise of 7.59 per cent. and 6.90 per cent. respectively. Such costs for the years 1955 to 1957 calculated as per the above decisions do not also reveal any wide variation. In 1957 the ratio of the amount of increase under these decisions to the cost in 1954 under the Sen award works out to 15.86 per cent and 15.17 per cent respectively.

219. In regard to gratuity, the estimated per head expense for 1954 under the Sastry award is lower by 3.39 per cent than the relative cost under the Sen award. The expense as per the Labour Appellate Tribunal decision as well as Government Modification is also less than the cost under the Sen award by about 2.45 per cent in each of the cases. In subsequent years, however, the expense on this account is expected to rise and by 1957 the per head expense under each of the above decisions (relatively to the expense in 1954 under the Sen award) works out to 36.44 per cent.

220. The following table shows the increase in the per head establishment charges of foreign banks as between the Labour Appellate Tribunal decision and Government Modification in 1954 and 1957.

	1954			1957		
	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.
	Rs.	Rs.		Rs.	Rs.	
Basic pay	1,584	1,576	+0.51	1,760	1,756	+0.23
Dearness allowance	799	585	+36.58	863	639	+35.05
Other allowances	154	290	-46.90	153	170	-10.00
Provident fund	156	155	+0.65	168	167	+0.60
Gratuity	115	115	..	161	161	..
TOTAL	2,808	2,721	+3.20	3,105	2,893	+7.33

B class banks

* 221. In the case of B class banks also the per head basic pay of employees works out to lower figures under the various awards as compared to the corresponding figure under the Sen award. The percentage decrease in the per head expense on account of basic pay in the case of Sastry award, Labour Appellate Tribunal decision and Government Modification works out to 4.42 per cent, 0.20 per cent and 1.51 per cent respectively. A study of the expenses in this regard under the latter two decisions in the year 1957 reveals that while the per head cost under the Labour Appellate Tribunal decision is more by 18.37 per cent than the corresponding figure under the Sen award in 1954 there is an increase of 16.97 per cent in such cost under Government Modification.

222. The position regarding dearness allowance is also similar to that obtaining in the case of A class banks, the increase in the per head cost in 1954 on this account under the Labour Appellate Tribunal decision over that under the Sen award being 58.40 per cent as against the corresponding increase of 5.13 per cent. and 7.41 per cent. under the Sastry award and Government Modification. In 1957 such cost as per the Labour Appellate Tribunal decision reveals an increase of 70.94 per cent over the Sen 1954 figure. The increase under Government Modification is 19.94 per cent. only.

223. Unlike in the case of A class banks, the per head other allowances of the banks in B class reveal a steep rise under the **Other allowances** various awards. Thus, the per head expense under other allowances of such banks in 1954 as per the Sastry award is more by 125·49 per cent than the cost in the same year under the Sen award. The corresponding increase under the Labour Appellate Tribunal decision and Government Modification is 129·41 per cent and 122·57 per cent respectively. The steep rise in the per head expense on this account is mainly due to the fact that while the Sen Tribunal awarded house rent allowance to workmen of A class banks only and that too to the few working in certain specified cities, the Sastry Tribunal extended such benefits to the whole time employees of all classes of banks working in offices situated in Bombay, Calcutta and in other places with a population of seven lakhs and over. The Labour Appellate Tribunal as well as Government have not modified the decision of the Sastry Tribunal in this regard. The reason for the comparatively higher increase under Government Modification has been explained earlier as due to the grant of temporary adjustment allowance under this decision. The gradual reduction thereof is reflected in the decrease in such expenses in the subsequent years. In 1957, the per head cost under the Government Modification is higher by 150·98 per cent than the relative cost under the Sen award in 1954. The cost under the Labour Appellate Tribunal decision, however, has increased progressively and in 1957 the per head expense under this decision is the same as that under Government Modification.

224. As in the case of other allowances the expenses on account of provident fund also show a comparatively steeper rise under the various awards than that observed in the case of A class banks. For example, while the rise in the **Provident Fund** per head expense under this head in 1954 on account of the Sastry award in the case of A class (Indian) banks is 8·14 per cent only, the corresponding increase in the case of B class banks is 33·90 per cent. The per head cost of these banks in the above year under the Labour Appellate Tribunal decision, relatively to the cost under the Sen award, is higher by 40·68 per cent; the corresponding figure under Government Modification is 32·20 per cent. In 1957, the per head cost under the Labour Appellate Tribunal decision and Government Modification reveals an increase of 67·80 per cent and 57·63 per cent respectively over the corresponding Sen 1954 figure.

225. The estimated per head cost in 1954 on account of gratuity is the same under the various awards for this class of banks. In 1955 and 1956, however, the per head expense as **Gratuity** per the decision of the Labour Appellate Tribunal and Government Modification is lower in both the cases by 40 per cent compared to the corresponding expense under the Sen award in 1954. In 1957 such expense is expected to increase by Rs. 0·09 lakh and consequently the per head cost on this account will be lower by only 20 per cent. than the cost in 1954 as per the Sen award.

226. The table on page 120 shows the position in 1954 and 1957 in respect of the per head establishment charges of this class of banks **Comparative position at a glance** under the Labour Appellate Tribunal decision relatively to the cost under Government Modification.

	1954			1957		
	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.
	Rs.	Rs.		Rs.	Rs.	
Basic pay . . .	994	981	+1.33	1,179	1,165	+1.20
Dearness allowance . . .	556	377	+47.48	600	421	+42.52
Other allowances . . .	117	164	-28.66	128	128	..
Provident fund . . .	83	78	+6.41	99	93	+6.45
Gratuity . . .	5	5	..	4	4	..
TOTAL . . .	1,755	1,605	+9.35	2,010	1,810*	+11.05

* The components do not add up to the total expenses due to rounding off.

C class banks

227. In the case of banks dealt with so far the per head basic pay of employees as estimated under the various awards has always been found lower than the corresponding figure under the Sen award. In the case of C class banks, however, the per head basic pay under each of the awards works out to a higher figure, the relative amount under the Sastry award, the Labour Appellate Tribunal decision and Government Modification being higher than the corresponding figure under the Sen award by 0.39 per cent, 5.17 per cent and 2.84 per cent respectively. The estimated expenses on this account for the year 1955 to 1957 under the Labour Appellate Tribunal decision as well as Government Modification are naturally more than the relative expense in 1954 and in 1957 the per head expense under the above decisions shows a rise of 22.35 per cent and 19.25 per cent respectively over such expense in 1954 as per Sen award. The reason for the per head basic pay of employees of this class of banks being higher under the various awards relatively to that under the Sen award lies in the fact that about 48 per cent of the total number of banks grouped under this class had either implemented the Sen award only partially or had not implemented it at all.

228. As in the case of basic pay, the estimated expenses in 1954 in respect of dearness allowance under the Sastry award and the Labour Appellate Tribunal decision as also Government Modification are more than the amount actually disbursed in that year. The per head expense in 1954 under the Sastry award on account of the above allowance is 9.02 per cent more than the corresponding expense under the Sen award. The per head cost under the Labour Appellate Tribunal decision and Government Modification also represents a rise of 89.10 per cent and 8.65 per cent respectively over the relative Sen 1954 expenses. In 1957 the increase in the per head cost under these decisions (relatively to the cost under the Sen award in 1954) is expected to be of the order of 95.11 per cent and 14.29 per cent respectively.

229. The expenses of this class of banks on account of other allowances also show marked increases under the various awards. Thus, in 1954 the per head expense under this item calculated as per the Sastry award is 21.31 per cent higher than the corresponding expense under the

Sen award. For the same year the expense under the Labour Appellate Tribunal decision and Government Modification shows a rise of 36·07 per cent and 91·80 per cent respectively when compared to the cost under the Sen award. The expense under Government Modification is, however, expected to come down gradually in the subsequent years. In 1957, the rise in the per head expense under the Labour Appellate Tribunal decision as well as Government Modification, over the Sen 1954 expenses, works out to 27·87 per cent and 31·15 per cent respectively.

230. The estimated per head expense in 1954 of these banks in respect of provident fund does not require any special comment as the rise or fall in the costs as between the Sen **Provident Fund** and the other awards is only by 2·08 per cent. The per head expense on this account is, however, expected to increase in the subsequent years and by 1957 such expense as per the Labour Appellate Tribunal decision and Government Modification is estimated to be higher than the corresponding cost in 1954 under the Sen award by 25·00 per cent and 20·83 per cent respectively.

231. The per head expense in 1954 on account of gratuity, as estimated under the various awards, shows an increase of about 50 per **Gratuity** cent over the relative expense under the Sen award. The position is, however, reversed in 1955 as in this year the cost on this account as per the Labour Appellate Tribunal decision and Government Modification is lower by 50 per cent than the disbursements under the Sen award in 1954.

232. The variation in the per head establishment charges of this class of banks in the years 1954 and 1957 on account of Labour Appellate Tribunal decision as compared to the cost under **Comparative position at a glance** Government Modification will be as follows:

	1954			1957		
	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.
	Rs.	Rs.		Rs.	Rs.	
Basic pay	814	796	+2·26	947	923	+2·60
Dearness allowance	503	289	+74·05	519	304	+70·72
Other allowances	83	117	-29·06	78	80	-2·50
Provident fund	49	47	+4·26	60	58	+3·45
Gratuity	3	3	..	..	..	..
TOTAL	1,452	1,252	+15·97	1,604	1,364*	+17·60

* The components do not add up to total expenses due to rounding off.

D class banks

233. In the case of D class banks, the scales of pay and allowances for clerical and subordinate staff as prescribed under the Sastry award and the Labour Appellate Tribunal decision as well as Government Modification are identical. Consequently, the impact of each of these awards on the establishment charges is more or less the same. The difference in the establishment costs as per the Labour Appellate Tribunal decision and Government Modification is primarily due to

the exclusion of certain areas under the latter decision. The difference in such costs under the Sastry award and Labour Appellate Tribunal decision is perhaps due to the modifications made by the Labour Appellate Tribunal in the rules for fitting the existing staff in the new scales as laid down by the Sastry Tribunal.

234. These differences as between the various awards are reflected in the variations in the per head expenses of D class banks on account of basic pay and dearness allowance calculated in the light of the directions contained in these awards. Thus, while the per head basic pay of employees for 1954 calculated as per the Sastry award reveals a rise of 23.03 per cent over the corresponding expense under the Sen award, the relative increase under the Labour Appellate Tribunal decision and Government Modification works out to 23.80 per cent and 20.54 per cent respectively. Similarly, in the period 1955 to 1957 the per head expense on account of basic pay under the Labour Appellate Tribunal decision is higher than that under Government Modification. The increase in the per head basic pay in 1957 under the Labour Appellate Tribunal decision over that under the Sen award in 1954 is 44.15 per cent, the corresponding rise under Government Modification being 39.92 per cent.

235. As regards dearness allowance, there is practically no difference in the per head expense in 1954 under the Sastry award, Labour Appellate Tribunal decision and Government Modification. As compared to the cost for 1954 under the Sen award, the per head expense under the first two awards reveals a rise of about 1.25 per cent only, while the rise under Government Modification is 0.83 per cent only. The cost under each of these awards on account of other allowance is lower than the Sen 1954 expenses. For the same year, however, the estimated expenses on account of provident fund under each of the awards are more than the Sen 1954 figure by about 21.88 per cent. In 1957 the per head cost represents in the case of the Labour Appellate Tribunal decision, a rise of about 56.25 per cent over the Sen 1954 expenses. The corresponding rise under Government Modification is 53.13 per cent.

236. The following table sets out the comparative impact of the Labour Appellate Tribunal decision and Government Modification on the per head establishment charges of D class banks in the years 1954 and 1957.

Comparative position at a glance

	1954			1957		
	Labour Appellate Tribunal decision	Govt. Modification	Percentage rise or fall of L.A.T. over G.M.	Labour Appellate Tribunal decision	Govt. modification	Percentage rise or fall of L.A.T. over G.M.
	Rs.	Rs.		Rs.	Rs.	
Basic pay	645	628	+ 2.71	751	729	+ 3.02
Dearness allowance	243	242	+ 0.41	256	257	- 0.39
Other allowances	36	41	- 12.20	35	35	..
Provident fund	39	39	..	50	49	+ 2.04
Gratuity	1	1	..	1	1	..
TOTAL	965*	951	+ 1.47	1,982*,†	1,071	+ 1.96

The components do not add up to total expenses due to rounding off.

237. I have so far been dealing with the impact of the various awards and decisions on the per head expense of each class of banks under each component of establishment charges in respect of their clerical and subordinate staff. The actual/estimated amounts of such charges under the various awards and the additional expenditure involved in implementing the decision of the Labour Appellate Tribunal as also the decision as modified by Government are shown in statement No. 14 attached to the report.

Proportion of establishment charges to gross earnings, gross profits and working capital

238. The following table gives the ratios of establishment charges (consolidated actuals as well as estimates) of workmen of all classes of banks to their gross earnings, gross profits and working capital for the years 1950 to 1957. The ratios for the years 1955 to 1957 have been worked out on the basis of the amounts of gross earnings and gross profits for the year ended the 31st December 1954 and working capital for the half year ending the 30th June 1954. (figures as on the 31st December 1954 were not available in the case of several banks).

Year	Ratio of establishment expenses of workmen to		
	Gross earnings Per cent	Gross profits Per cent	Working capital Per cent
1950 . . .	20.84	26.34	0.78
951 . . .	21.16	26.74	0.91
1952 . . .	21.72	29.51	0.98
1953 Sen . .	23.54	32.62	1.04
1953 Sastry . .	22.83	31.64	1.01
1954 Sen . .	23.43	33.08	1.05
1954 Sastry . .	22.98	32.44	1.03
1954 L.A.T. . .	25.90	36.56	1.16
1954 G.M. . .	24.33	34.34	1.09
1955 } . . .	26.90	37.97	1.20
1956 } L.A.T. . .	27.85	39.32	1.25
1957 } . . .	28.84	40.72	1.29
1955 } . . .	24.97	35.25	1.12
1956 } G.M. . .	25.59	36.13	1.14
1957 } . . .	26.25	37.05	1.17

239. It will be observed that the ratios in the above table do not show much variation either in the individual years or as between the different awards. Similar trend is also noticed in respect of the proportion of establishment charges of each class of banks to the consolidated gross earnings etc. of that particular class. Thus in the case of A class (Indian) banks, the ratio of their establishment charges in 1951 to the gross earnings, gross profits and working

capital for that year works out to 25.51 per cent, 32.34 per cent and 0.91 per cent respectively as against 24.57 per cent, 31.15 per cent and 0.79 per cent in 1950. The variations in these ratios in the subsequent years also are not much as is evident from the following table.

Ratio of establishment expenses of workmen to									
Gross earnings			Gross profits			Working capital			
1953	1954	1957	1953	1954	1957	1953	1954	1957	
Sen	27.86	27.12	..	37.66	37.39	..	1.07	1.07	..
Sastry	26.76	26.37	..	36.16	36.37	..	1.03	1.04	..
L.A.T.	29.67	32.94	..	40.92	45.43	..	1.17	1.23	..
G.M.	28.02	30.03	..	38.64	41.42	..	1.10	1.18	..

240. In the case of A class (foreign) banks, the establishment expenses constitute a lower proportion of their total gross earnings, gross profits and working capital as compared to A class (Indian) banks. Between 1950 and 1952, the ratio of establishment expenses of these banks to their gross earnings came down from 18.73 per cent in 1950 to 15.18 per cent in 1951 to rise again 15.40 per cent in 1952. The ratio of establishment expenses to gross profits also came down from 21.43 per cent in 1950, to 17.79 per cent in 1951 but increased again to 20.78 per cent in 1952. The corresponding ratio to working capital has, however, increased from 0.92 per cent in 1950 to 0.97 per cent in 1951 and came down to 0.93 per cent in 1952. The position of such ratios in 1953, 1954 and 1957 for this class of banks is given in the following table.

Ratio of establishment expenses of workmen to									
Gross earnings			Gross profits			Working capital			
1953	1954	1957	1953	1954	1957	1953	1954	1957	
Sen	18.07	18.96	..	24.70	25.79	..	1.05	1.08	..
Sastry	16.92	17.94	..	23.12	24.40	..	0.98	1.02	..
L.A.T.	19.53	21.59	..	26.56	29.37	..	1.11	1.23	..
G.M.	18.92	20.12	..	25.73	27.37	..	1.08	1.15	..

241. The proportion of establishment expenses of B class banks for the years 1950-52 to their gross earnings for these years reveals a steep rise from 12.54 per cent in 1950 to 21.85 per cent in 1951 and 22.67 per cent in 1952. The rising trend is also evident in the movement of the ratio of establishment expenses to gross profits. The ratio increased from 16.89 per cent in 1950 to 29.21 per cent in 1951 and 31.19 per cent in 1952. During all these years (1950-1952)

the ratio of establishment expenses to working capital increased progressively from 0.50 per cent in 1950 to 0.98 per cent in 1952.

242. The table below compares the position of establishment expenses in 1953, 1954 and 1957 under the various awards.

Ratio of establishment expenses of workmen to									
Gross earnings			Gross profits			Working capital			
1953	1954	1957	1953	1954	1957	1953	1954	1957	
Sen	22.71	22.36	..	32.51	32.88	..	1.01	1.04	..
Sastry	23.58	23.22	..	33.76	34.15	..	1.05	1.08	..
L.A.T.	..	26.82	30.72	..	39.45	45.19	..	1.25	1.43
G.M.	..	24.53	27.67	..	36.08	40.70	..	1.14	1.29

243. In the case of C class banks, the variations in the ratio of establishment expenses to gross earnings, gross profits and working capital for the years 1950 to 1952 are not much. The ratio of establishment expenses to gross earnings fluctuated between 17.01 per cent and 17.73 per cent in 1950—1952. In this period the ratio of establishment expenses to gross profits came down from 26.36 per cent in 1950 to 24.80 per cent in 1951; in 1952 it went up again to 26.81 per cent. The ratio of establishment expenses to working capital, however, registered a steady rise from 0.76 per cent in 1950 to 0.88 per cent in 1952. The comparative position in 1953, 1954 and 1957 of these banks is shown in the following table.

Ratio of establishment expenses of workmen to									
Gross earnings			Gross profits			Working capital			
1953	1954	1957	1953	1954	1957	1953	1954	1957	
Sen	17.78	17.04	..	27.59	28.37	..	0.88	0.87	..
Sastry	18.13	17.63	..	28.14	29.35	..	0.90	0.90	..
L.A.T.	..	21.49	23.75	..	35.78	39.53	..	1.09	1.21
G.M.	..	18.55	20.20	..	30.85	33.62	..	0.94	1.03

244. As regards D class banks, the ratio of establishment expenses to gross earnings for 1950 is higher than that for 1951 and 1952. The variation over the three years is, however, not much, the ratio having declined from 14.42 per cent in 1950 to 13.77 per cent in 1951 and again risen slightly to 14.31 per cent in 1952. As in the case of C class banks, the ratio of establishment expenses to gross profits of D class banks is higher in 1950 (25.76 per cent) than in 1951 (24.82 per cent) but lower than the ratio in 1952 (26.68 per cent). During this period the ratio of establishment expenses to working capital also reveals a similar trend. The ratio came down from 0.88 per cent in

1950 to 0.85 per cent in 1951 to rise again to 0.91 per cent in 1952. The ratio of establishment expenses under the various awards in 1953, 1954 and 1957 is shown in the following table.

	Ratio of establishment expenses of workmen to								
	Gross earnings			Gross profits			Working capital		
	1953	1954	1957	1953	1954	1957	1953	1954	1957
Sen	15.20	15.62	..	27.83	28.99	..	0.94	0.94	..
Sastry	17.44	17.89	..	31.93	33.19	..	1.08	1.08	..
L.A.T. . . . .	..	17.98	20.32	..	33.35	37.70	..	1.08	1.23
G.M. . . . .	..	17.71	19.93	..	32.86	36.99	..	1.07	1.20

Officer establishment

245. The scales of pay and allowances for officers differ from bank to bank even within the same class. Some banks (particularly smaller ones) constituting about a fifth of the total number **Comparative Po-** have no fixed scales of pay for their officers. While **sition** .. all A class (Indian) banks have fixed pay scales for their officers, one of them introduced regular pay scales only recently. Two A class (foreign) banks which have no fixed pay scales for their officers, grant increments according to merit. Information was collected from banks regarding the number of officers classified into six groups according to their monthly emoluments. A group-wise distribution of officers and their annual emoluments is given in Statement No. 18. On a study of the Statement it will be observed that the emoluments of the officers of A class (foreign) banks are substantially higher than those of A class (Indian) banks. 49.38 per cent of the officers of A class (foreign) banks get monthly emoluments between Rs. 1,000 and Rs. 3,000 and are followed by those drawing above Rs. 3,000 and between Rs. 500 and Rs. 750. In the case of A class (Indian) and B class banks the highest proportion (about half of the total) of officers draw emoluments between Rs. 250 and Rs. 500 and are followed by those drawing between Rs. 500 and Rs. 750 in the case of the former and by those getting upto Rs. 250 in the case of the latter. A majority of officers in C and D class banks draw emoluments upto Rs. 250 and are followed by those in the range of Rs. 250 and Rs. 500.

246. On a comparison of the average annual emoluments per officer for 1954 for each class of banks, it is observed that the highest **Average emolu-** and the lowest averages of Rs. 19,360 and Rs. 2,050 are **ments** registered in the case of A class (foreign) banks and D class banks (*vide* Statement No. 19). There is considerable disparity between the average for A class (foreign) banks and that for A class (Indian) banks which works out to Rs. 6,960. This is obviously due to the fact that non-Indian officers of A class (foreign) banks are paid substantially higher pay and allowances presumably in view of their transfer outside the home country. It is noticed that the average per officer in the case of other Indian banks declines progressively in the order of importance of the groups. Another aspect

which deserves notice is that there is considerable disparity in the emoluments per officer within the same group. The gap is the widest in the case of A class (foreign) banks and least in the case of D class banks. Moreover, while the lowest average emoluments of Rs. 14,000 in the case of A class (foreign) banks exceed the highest average emoluments of Rs. 9,040 in A class (Indian) banks, the lowest average emoluments of Rs. 1,000 in D class exceed only slightly the lowest average emoluments of Rs. 790 and Rs. 560 per member of the clerical and subordinate staff of C and D class banks respectively.

Relative impact of the establishment cost in respect of (i) officers and (ii) clerical and subordinate staff

247. The per head emoluments of officers, clerks and subordinates in 1948 and 1954 show that in the case of officers, the increase has been the highest at 32.62 per cent in the case of B class banks and lowest at 11.84 per cent in the case of A class (foreign) banks (*vide* Statement No. 19). The percentage rise has, however, been generally higher in the case of clerical and subordinate staff than officers; while the lowest increase of 29.03 per cent has been noticed in the case of D class banks, the highest rise at 70.73 per cent has taken place in the case of B class banks. The lower increase in the case of D class banks seems to be accounted for by the fact that a majority of them are from Travancore-Cochin State where emoluments are generally low, the Sen award being not applicable to them in respect of their offices located in Part B States.

248. Although the highest average emoluments for clerks and subordinates in 1954 amounted to Rs. 2,460 in the case of A class (foreign) banks, the average emoluments per officer in this group came to 787 per cent of the former; the next highest and lowest proportions of 409 per cent and 256 per cent were registered by A class (Indian) banks and D class banks respectively.

249. Any analysis of the establishment cost in respect of (i) officers and (ii) clerks and subordinates must take account of the comparative numerical strength of each category. Statistics regarding the number of (i) officers and (ii) clerks and subordinates per office as well as the latter per officer for each class of banks have been given in Statement No. 20. A class (foreign) banks account for the highest number of officers and other staff per office as well as the highest average of clerks and subordinates per officer. These banks had 59 offices as on the 30th June 1954, of which as many as 46 were situated in area 1, mostly in port towns where, in common with banks in other classes, a comparatively larger strength of both officer and other staff is required to be maintained to cope with the volume of work. They had only 5 offices in area 3, 1 in area 4 and none in the excluded area. The average strength of staff per office is, therefore, on the high side. The average number of clerks and subordinates per officer is also higher in the case of these banks, apparently also for the same reason. As against 8 clerks and subordinates per officer for A class (Indian) banks, the average is only 4 for D class banks whose operations are mainly confined to smaller centres in semi-urban areas. Out of a total of 1,277 offices (inclusive of 230 pay offices of one bank) of A class (Indian) banks, 296 (inclu-

sive of 28 pay-offices of one bank) or 23.18 per cent are in area 4 and the excluded area, whereas in the case of D class banks comparable figures are 71 offices or 43.03 per cent of the total.

250. The distribution of the total establishment cost between the officer staff and the clerical and subordinate staff for each class of banks is given in Statement No. 21. It will be observed therefrom that the proportion of the establishment cost in respect of clerical and subordinate staff to total establishment expenditure is appreciably higher than that for officers in the case of all classes of banks. The average proportion of officer establishment cost to total establishment cost in the case of A class (Indian) and B class banks is nearly the same (33.05 per cent and 32.80 per cent respectively) as the slightly higher proportion of average emoluments per officer in the case of the former (409 per cent as against 308 per cent of the average emoluments per member of the clerical and subordinate staff—*vide* Statement No. 19) appears to have been offset by higher number of clerks and subordinates per officer (8 as against 6—*vide* Statement No. 20) for that class. The higher proportion of 33.02 per cent of the total establishment cost in the case of A class (foreign) banks is also due to similar reasons, the much higher proportion of emoluments per officer being, however, only partially offset in this case. The still higher proportions in the case of C and D class banks are obviously due to the smaller number of clerks and subordinates per officer (5 and 4 respectively).

Emoluments of the first five officers.

251. The banks were asked to furnish particulars of emoluments drawn and other benefits enjoyed by their first five officers. On the basis of information supplied by banks it appeared that besides pay, dearness allowance, local allowance, bonus and contribution to provident fund/pension fund, certain other allowances and/or benefits were received by these officers, more particularly by the top executives. For instance, they are given either a house rent allowance or a free furnished/unfurnished house. A conveyance/car allowance is paid to them or the free use of the bank's car is permitted. Further, they are paid an entertainment allowance as also a club allowance or the relative expenditure/subscription bills are met by the bank. In some cases, they are reimbursed the amount of income-tax deducted from their emoluments. Certain perquisites allowed by A class (foreign) banks to their officers recruited abroad include more commonly the overseas allowance, marriage allowance and family/children allowance. The branch managers of some of these banks are paid a maintenance of servants allowance or the wages of a specified number of their household servants (usually attached to the rent-free quarters maintained by the bank for the use of the managers) are borne by the bank. This privilege is also being enjoyed by the top executives of a few major Indian banks.

252. A comparative statement showing the average annual emoluments per officer from among the first five officers of banks in each class as well as those per officer from among the remaining officers and per employee (workman) is given in Statement No. 22. In making any comparison in this respect between the different classes

Relative emoluments of top executives, officers and workmen

of banks, it has to be borne in mind that A class (foreign) banks stand on a different footing inasmuch as in their case the first five officers generally comprise the branch managers and other senior officers of the branches and do not include the higher executives at head office. As regards Indian banks, it will be seen from the above Statement that A class (Indian) banks not only account for the highest (among all classes including A class—foreign—banks) average emoluments per officer from among the first five officers at Rs. 63,000 per annum but this average is a little over three times the average for banks in the next class i.e. B class at Rs. 22,000 per annum. Even within A class (Indian) banks, there is a wide disparity between the highest and lowest emoluments per such officer. While one of the banks in this class accounts for the highest emoluments per such officer at Rs. 1,32,000 another accounts for the lowest figure at Rs. 46,000. Even if the former bank is not taken into consideration by virtue of its emoluments being outstandingly high, there is still an appreciable disparity, the next highest figure being Rs. 70,000. Further, the average emoluments per officer from among the first five officers of A class (Indian) banks are rather disproportionately high being eleven times the average emoluments per officer from the remaining officers and about thirty-eight times the average emoluments per employee (workman) of banks in that class. It may also be noted that the highest emoluments per officer from among the first five officers of banks in the above class at Rs. 1,32,000 are about fifteen times the highest emoluments per officer from the remaining officers and about sixty-three times the highest emoluments per employee from the same class of banks. This is, however, more or less an extreme case and if the next highest emoluments per officer of the first five officers at Rs. 70,000 are taken into consideration the proportions would be eight times in relation to the remaining officers and thirty-three times in relation to workmen staff. It will be further noticed from the average proportions in Statement No. 22 that this gap in the emoluments is progressively reduced in the descending order of the four classes of Indian banks. Another noteworthy feature that has been observed in the case of A class (Indian) and B class banks in whose cases the emoluments of the first five officers are comparatively higher, is that the average emoluments of the first officers in each of the two classes account for 38.73 per cent and 34.76 per cent respectively of the total emoluments of the first five officers indicating the considerable predominance of the former.

253. With a view to comparing generally the level of emoluments of the first five officers, particularly of A class (Indian) banks with that obtaining among other comparable commercial and industrial units, the necessary information was procured from thirteen representative non-banking concerns of large size and national importance—all being joint stock companies with the exception of two semi-public bodies (*vide* Statement No. 23). These comprised two public utility undertakings, three industrial manufacturers, three managing agency houses mostly managing industrial units, a trading concern, a navigation company, two insurance companies and a financing institution. Excepting one public utility undertaking and the financing institution which are semi-public bodies, all the concerns belong to the private sector. The following figures based on the data collected will be of interest in this connection.

**Top executive in
banks compared
with other con-
cerns**

Nature of concerns	Average annual emoluments per officer from the first five officers (in thousands of rupees)	Proportion of annual emoluments to the annual emoluments of the first five officers (Percentage)
(a) (i) A Class—Indian banks (7)	68	38.73
(ii) A Class—Indian banks exclusive of the bank accounting for the highest emoluments per officer from the first five officers—the emoluments being outstandingly high in its case (6)	57	35.73
(b) Semi-public concerns referred to above (2)	30	29.04
(c) (i) Insurance companies (2)	46	38.36
(ii) Manufacturing, trading and other concerns (9)	54	26.07
(d) Private sector concerns as in (c) above (11)	53	28.47
(e) All the non-banking concerns as in (b) and (d) above (13)	49	28.53

254. It may be explained in this connection that the above statistics do not obviously take into consideration some of the benefits which are not in the form of cash payments but these benefits are present both in the case of banks and non-banking concerns—more so in the case of the former. It will be seen that the emoluments per officer are the highest in the case of A class (Indian) banks even if the bank having the outstandingly higher scales as referred to in the above paragraphs is excluded. The emoluments are almost twice as large as those in the case of semi-public bodies and also exceed the average for non-banking concerns in the private sector. Further, barring the insurance companies which are on an equal level with banks in this respect, there is a greater predominance of the emoluments of the first officers from among the first five officers in the case of banks under reference and this disparity is found to be less in the case of non-banking concerns. In regard to both the above features, it may be urged that banks stand on a somewhat different footing as compared to other commercial and industrial concerns inasmuch as they are the custodians of the cash resources of the community as a whole and, therefore, owe a greater duty to the public than other commercial and industrial units whose managements are primarily answerable to their shareholders. In fact because of this a greater responsibility is cast on bank managements to observe due economy in managerial costs. While it is not suggested that a reduction in the emoluments of the first five officers, and in particular the first officers of the bigger banks,

would result in any substantial saving in proportion to their large expenditure, it will have great psychological value. The more important statutory provision that has some bearing on this subject is section 10(1) (b) (iii) of the Banking Companies Act, 1949 prohibiting the employment by a banking company of any person whose remuneration is, according to the normal standards prevailing in banking business, on a scale disproportionate to the resources of the company, the decision of the Reserve Bank of India being final as to whether, in any particular case, the remuneration is according to the normal standards prevailing in the banking business. As would be apparent, this provision seeks to remedy cases where the remuneration is disproportionate to the resources of a bank; but it does not extend to cases where the remuneration of any person while perhaps not being disproportionate to the resources of the bank concerned, is nevertheless disproportionately high as compared to the level of emoluments paid by it to other members of the supervisory staff as well as the general level of wages obtaining in the banking industry. It would, however, appear advisable that the emoluments of the higher executives (either all the first five officers or such other lesser number as may be deemed proper by Government) of the major Indian banks in particular are brought under the purview of Government control. Also, I feel that Government may consider the question of preventing payment of income-tax free salaries to any officer in the banking business as it is opposed to all principles.

255. I have discussed in Chapter V my approach to the problem of assessing the capacity of banks to pay either the Labour Appellate Tribunal or Government modified scales of pay and allowances and indicated the assumptions I am making for the purpose. In the earlier sections of this chapter important statistics such as those relating to resources, earnings and expenses and establishment which are closely related to the problem of capacity to pay have been dealt with. I shall now proceed to examine in the light of the foregoing the capacity of the different classes of banks as also of banks individually to pay either one or the other scale of pay. I shall first deal with A and B classes of banks.

256. According to the information supplied by banks the establishment charges of workmen of A (Indian) and B classes of banks in 1954 were Rs. 6.30 crores and Rs. 1.23 crores as per Sen scales, and Rs. 6.51 crores and Rs. 1.35 crores as per the modified decision. The corresponding amounts as per the Labour Appellate Tribunal scales would have been Rs. 6.89 crores and Rs. 1.47 crores. Thus the additional burden of Government modified decision over Sen award in 1954 was of the order of Rs. 21 lakhs and Rs. 12 lakhs and that of the Labour Appellate Tribunal over Government modified decision was Rs. 38 lakhs and Rs. 12 lakhs respectively. Since banks had already met the establishment charges under the modified decision, the additional burden of the Labour Appellate Tribunal decision in 1954 could legitimately be taken to be in the neighbourhood of latter figures. The Commission collected from banks the figures of establishment charges for workmen for the years 1955, 1956 and 1957 also; in these years the rise under the Labour Appellate Tribunal decision over the expenses under the Government modified decision in 1954 would be of the order of Rs. 64 lakhs, Rs. 88 lakhs and Rs. 1.14 crores for A class

(Indian) banks and Rs. 18 lakhs, Rs. 27 lakhs and Rs. 34 lakhs for B class banks. These figures include provision for provident fund, pension fund and gratuity. In the case of foreign banks in A class the figures of additional burden of the Labour Appellate Tribunal decision over the expenses under the Government modified decision in 1954, 1955, 1956 and 1957 would be Rs. 7 lakhs, Rs. 16 lakhs, Rs. 22 lakhs and Rs. 30 lakhs respectively. Would these three classes of banks, therefore, be able to bear the additional burden of the Labour Appellate Tribunal decision?

257. It has been mentioned earlier that the ratio of paid-up capital and reserves to deposits of A class (Indian) banks was 5.60 per cent in 1948 and 6.83 per cent in 1953. *Prima facie*, despite recent improvement, the ratio appears to be somewhat low. But it is comparable with the corresponding ratios of banks with similar standing in the U.S.A. and the U.K. Of the banks in this class, all except the United Commercial Bank have reserves exceeding their paid-up capital and even in the case of this bank which is only 12 years old, the reserves amount to 40 per cent of the paid-up capital. These banks have also built up inner reserves. Considering them together, the paid-up capital and reserves of A class (Indian) banks must be regarded as satisfactory from the point of capacity to pay as in their case (excepting the case of the United Commercial Bank) the need for augmenting published reserves would not be as pressing as in the case of other classes of banks. For example, only 3 out of 8 banks in B class have reserves equal to paid-up capital and the ratio of reserves to paid-up capital for the class as a whole works out to about 66 per cent. Their inner reserves too are small. Since many of the banks in B class (e.g. Bank of Bikaner, Hyderabad State Bank, Devkaran Nanjee Banking Company, United Bank of India) are not as old as banks in A class this ratio must be regarded as satisfactory. Moreover the ratio of paid-up capital and reserves to deposits is slightly over 10 per cent. Yet in assessing their capacity to pay I have made allowance for the fact that these banks should be able to add to their reserves in the coming years. Foreign banks have no paid-up capital in India and have only small reserves.

258. The position of working capital of A class, (Indian and foreign and B class banks which appeared to be discouraging for some time has taken a turn for the better since last year. The **Relevance of working capital** of working capital as defined here would include not only paid-up capital, reserves and deposits but also borrowings, branch adjustments, and other liabilities excluding contra entries. In the case of A class (Indian) banks working capital was declining till 1953, but in 1954 it showed a sharp rise. The working capital of B class banks also declined till 1949, but thereafter the trend seemed to have been reversed and in 1954 it was more than the amount in 1948. The position of foreign banks in A class appears to have been somewhat better, in that there was no continuous fall in their working capital, the position after 1950 showing considerable improvement. As I have said earlier, the deposits of banks showed a sharp rise in 1954 and it may not be unreasonable to assume that they would continue to show further rise in the next few years as the backlog of expenditures under the Plan gets under way. Since banks are credit institutions accretion of cash increases

their earning capacity many-fold. As the economic development projected under the Plan would create demand for bank money, it would not be wrong to presume that banks would be able to fully utilise their capacity to create credit as cash resources increase. The trend which appeared to be discouraging for some time seems to have changed and it could be safely postulated that there would be an improvement in the capacity of banks to bear additional wage burden.

259. The figures of earnings and expenses of these classes of banks lend support to the view that banks will be in a position to bear additional burden on account of establishment. Although the working capital of banks was declining for some years, gross earnings shown a steady rise excepting in the years 1950 and 1953. But the decline in these years was comparatively small. The net rise in earnings in the case of A class (Indian), A class (foreign) and B class banks between 1948 and 1954 was of the order of Rs. 5.02 crores, Rs. 3.11 crores and Rs. 1.22 crores respectively. It is true that the expenses of banks were also increasing in this period. The net increase in the case of A class (Indian), A class (foreign) and B class banks as between 1948 and 1954 has been Rs. 6.67 crores, Rs. 3.35 crores and Rs. 1.55 crores respectively. The figures of expenses supplied to the Commission by banks include deductions made by them from gross earnings for bad and doubtful debts and for other usual and necessary provisions, and, therefore, the increase as shown above in fact includes provision for inner reserves.

260. The net profits of these classes of banks declined in the period by Rs. 1.66 crores, Rs. 74 lakhs and Rs. 23 lakhs respectively. But as I have indicated earlier, the figures of net profit as disclosed in the balance sheets of banks are determined by considerations of dividend policy as also the possible demand by shareholders and employees for higher dividend and bonus and, therefore, for understanding the true position of net profit, the provision made for inner reserves by banks must also be taken into account. In the case of A class (Indian) banks, if these provisions are taken into account, the reduction in net profits would be somewhat smaller than what would appear from balance sheets. This is not, however, to say that banks should not provide inner reserves but all that I mean is that the figure of net profit should be read with other provisions made by banks to understand the true profitability of banking business. The figures for 1954 show an improvement in the position of banks over that in 1953, which unfortunately was a lean year for banks, partly because of the adjustment of banking to new monetary policy and partly as a result of the effect of recessionary developments on the business in this country. In this context it should be remembered that during these years all Indian banks in A class and B class have paid dividend at a steady or increasing rate, only one bank in A class having been required to reduce it slightly.

261. It was represented to the Commission by some banks that I should take into account the depreciation in Government securities which banks have been unable to write off and also the need for strengthening reserves against unforeseen calamities. I have given considerable thought to these two aspects before arriving at my conclusions. I have found that depreciation in

Relevance of earnings and expenses

Relevance of net profits

Relevance of depreciation in Government securities and bad and doubtful debts

securities has been very high in the case of banks which were holding a substantial proportion of long-dated securities. These securities, I understand, depreciated very heavily after the Reserve Bank of India raised the bank rate and changed its open market policy in 1951. Banks have attributed all their difficulties to these policy changes over which they had no control. On reviewing the position of securities market I found that it had shown a weakening tendency even before the Reserve Bank changed its bank rate and some banks had to write off depreciation prior to 1951. In this connection it appears that as early as 1948, the Reserve Bank of India had advised scheduled banks to gradually switch over from long-dated to short-dated securities, as, considering the nature of banking business it was in their best interest to have as large a portfolio of short-dated securities as possible. From the figures of investments of banks published by the Reserve Bank of India it appears that the majority of banks heeded this advice with the result that the bulk of investments of scheduled banks gradually shifted from longer-dated to shorter-dated securities. Banks which had so acted found very little difficulty when, following the bank rate change, there was a steep decline in the security values. Those banks which persisted in holding longer-dated securities suffered heavy depreciation and it is they who have repeatedly told me about their difficulties. It is not at all my intention to attribute blame to any particular management, but I mention this lest similar mistakes lead to more difficulties. In the case of many banks which have got into this difficulty the portfolio of short-dated securities is sufficiently large and I do not think that they would be forced to liquidate their longer-dated securities turning book depreciation into actual loss.

262. I had requested banks to give me full information about their bad and doubtful debts as at the end of 1953. In most cases banks had already made provision for such debts and the amount left uncovered did not appear to be very large. In view of what I have said above, the problem of depreciation and bad and doubtful debts to the extent they have been declared to me does not appear to be intractable. I recognise that some banks will have to make provision for depreciation from current profits but the amount so provided must be reasonable.

263. I have already indicated that the majority of banks in A and B classes wanted that adjudication should be on a class-wise basis; and so I propose to consider in the first place the capacity of these banks considered class-wise. I would then consider some individual cases in both the classes that raised a dispute about their ability to pay. Before proceeding to deal with the merits of this question, however, it would be relevant to refer to the attitude adopted by these banks in the present enquiry. An overwhelming majority of banks in A class did not dispute their ability to bear the burden of the Labour Appellate Tribunal decision. Some banks in B class likewise admitted their ability to bear the burden of the Labour Appellate Tribunal decision, while some others in B class did not seriously dispute it. The position

**Attitude adopted
by banks in A
and B classes be-
fore the Commis-
sion**

of banks which either admitted or did not seriously dispute their ability to bear the burden of the Labour Appellate Tribunal decision from the point of view of number of employees and resources and compared to the total of the class is given below. I should, however, like to add, in regard to the percentages mentioned below, that two banks in B class first raised a dispute about their ability to bear the burden of the Labour Appellate Tribunal decision, but subsequently did not seem to press their objections seriously. These banks are the Bank of Mysore and the Devkaran Nanjee Banking Company. During the examination of the case of the Bank of Mysore, it was first put to the representative of the bank that the payment of 16 per cent dividend to shareholders and the bonus of three months' pay to employees was not very consistent with his plea that the bank would be unable to bear the burden of the Labour Appellate Tribunal decision. It was also explained to him that the employees had agreed that, if the implementation of the Labour Appellate Tribunal decision led to the reduction or impairment of the employees' claim for bonus, they were prepared to bear the consequences. When this position was put to the representative of the Bank of Mysore, all that he said was that there might be occasions in future when the bank might find the burden of the Labour Appellate Tribunal decision too onerous. It was because of the statement thus made by the representative of the Bank of Mysore that I formed the impression that the bank was not serious about its argument that it would not be able to bear the burden of the Labour Appellate Tribunal decision during the three or four succeeding years. When the case for the Devkaran Nanjee Banking Company was examined, the representative of the bank began by raising the difficulty about the bank's ability to bear the burden of the Labour Appellate Tribunal decision. He, however, admitted that the bank had raised its dividend steadily and that the last increase in dividend had taken place in 1953 from 3½ per cent to 4 per cent. But he contended that it was desirable for the progress of the bank that the dividend should be raised still further and that he would be required to make provision for gratuity and for raising officers' salaries. At the end, however, he frankly conceded that, in case I came to the conclusion that banks in B class considered class-wise can bear the burden of the Labour Appellate Tribunal decision, he would like to keep company with his colleagues in the class. That is why, in preparing the following table, I have put the Devkaran Nanjee Banking Co. in the category of banks that did not seriously dispute their ability to bear the burden of the Labour Appellate Tribunal decision:

	Percentage of employees to total employees in the class	Percentage of resources to total resources of class
A (Indian) . . .	57.70	65.43
A (Foreign) . . .	100.000	100.00
A as a whole . . .	65.69	73.98
B	52.15	58.46
	(86.55)*	(89.32)*

* Percentage to total of the class excluding the Bank of Bikaner and the United Bank of India.

264. I have also considered the increase in the establishment charges under the Labour Appellate Tribunal and Government modified decisions in relation to gross earnings and gross profits of banks. In the case of A class (Indian), A class (foreign) and B class banks the proportions of establishment charges of workmen to gross earnings and gross profits are as follows:

	Gross earnings		Gross profits	
	1954	1957	1954	1957
<i>A (Indian)</i>				
Government modified decision . . .	28.02	30.03	38.64	41.42
Labour Appellate Tribunal . . .	29.67	32.94	40.92	45.43
<i>A (Foreign)</i>				
Government modified decision . . .	18.92	20.12	25.73	27.37
Labour Appellate Tribunal decision . .	19.53	21.59	26.56	29.37
<i>B</i>				
Government modified decision . . .	24.53	27.67	36.08	40.70
Labour Appellate Tribunal decision . .	26.82	30.72	39.45	45.19

Thus the variations as between the Labour Appellate Tribunal and Government modified decisions in 1957 would not be of a very high order. This must be recognised particularly as the ratios for 1957 are based on higher establishment charges and stationary gross earnings and gross profits as in 1954. In absolute amounts the difference in workmen establishment as between the two decisions in 1957 for the three classes of banks would be Rs. 67 lakhs. Rs. 16 lakhs and Rs. 17 lakhs respectively.

265. The Commission prepared a projection of bank expenditures for the years 1955, 1956 and 1957 on the lines indicated in Chapter

V. There are two points which I should like to emphasise in connection with the estimates so made. As a result of increasing establishment cost net profit showed a decline but was nevertheless sufficient to make the usual appropriations on account of the fact that the item of taxation showed a decline proportionate to the decline in net profit and provision for bonus to employees was made contingent on the residue, if any. Secondly, as mentioned earlier, I have decided that the net profit of banks from foreign branches must be taken into account in assessing their capacity to pay; since these profits amounted to Rs. 59 lakhs in 1954 for A class (Indian) banks, it appeared that as a class, A class (Indian) banks could bear the additional burden of the Labour Appellate Tribunal decision even in 1957 if the present level of earnings was maintained. In the case of B class banks also, as a class, it appeared that, taking into consideration the amount of net profit earned from foreign branches, they would be able to meet the burden of the Labour Appellate Tribunal decision in the next two years without difficulty; even in 1957, if the banks of this class show an improvement in their gross earnings, the burden of the Labour Appellate Tribunal may not present much difficulty. These estimate were, however, made

on the basis of areas as provided in the Labour Appellate Tribunal decision. Since Government created a fourth area of towns below 30,000 population when they modified the Labour Appellate Tribunal decision and since I propose that that area be retained, there would be considerable relief to banks from the estimated establishment charges under the Labour Appellate Tribunal decision. Further relief is provided to banks in my recommendation to restore the provisions of Sastry award in respect of medical aid. In the case of some banks the saving under this item on their own calculation would be considerable. Besides B, C and D classes of banks would get relief from restoration of the provisions of Sastry award in regard to adjustment of salaries to new pay scales. Further, as I have already mentioned, during the course of examination of bankers and employees, I had questioned employees as to whether they recognised the fact that if as a result of the increase in establishment charges following the implementation of the Labour Appellate Tribunal decision the net profits of banks were reduced, to that extent their claim to bonus would be impaired. They had agreed that it would be so. The total amount of bonus distributed to workmen by A class (Indian), A class (foreign) and B class banks in 1953 was Rs. 50.36 lakhs, Rs. 18.72 lakhs and Rs. 5.91 lakhs. It is possible that in the case of some banks the increase in establishment charges may be relatively large and there may not be sufficient surplus left, after making the usual provisions, for distribution of bonus; in this case the additional establishment charges in fact would be coming out of the bonus which the employees were receiving.

266. The increase in the establishment of workmen under the Labour Appellate Tribunal decision in 1957 which would amount to Rs. 1.14 crores, Rs. 30 lakhs and Rs. 34 lakhs over the expenses under the Government modified decision in 1954 in the case of A class (Indian), A class (foreign) and B class has to be read against this. The total increase for A class (Indian) and B class banks would be Rs. 1.48 crores. This amount is not much too large considering the fact that in 1954 alone, A class (Indian) and B class banks showed an increase in gross income of Rs. 2.32 crores. In the case of foreign banks, however, there was a decline of Rs. 25 lakhs, but these banks have not disputed their capacity to pay. This discussion leads to the conclusion that banks in A class and B class considered class-wise can bear the burden of the Labour Appellate Tribunal decision. The special cases in B class of the Bank of Bikaner and the United Bank of India are dealt with in a later chapter.

267. I will now proceed to deal with the cases of two banks in A class and two in B class that specifically and seriously disputed their ability to bear the burden of the Labour Appellate Tribunal decision. In regard to the Central Bank of India, the Managing Director represented the bank when the case of this bank was argued before me in the presence of the employees' representatives. The principal point raised by the Managing Director was that, in order to enable banks in A class to bear the burden of the Labour Appellate Tribunal decision comfortably or easily, I should either confirm the Government modified decision or devise a scale lower than the scale

Case of four individual banks considered

prescribed by the Labour Appellate Tribunal decision. In fairness to the bank, I would like to add that I formed the impression that the Central Bank of India would be prepared to bear the burden of the Labour Appellate Tribunal decision like other banks in A class in case I was not prepared to accept the suggestion made by the bank that the wage structure should be reduced and in case I came to the conclusion that A class banks considered class-wise can bear the burden of the Labour Appellate Tribunal decision. This impression was confirmed when I later discussed the case of this bank with the Chairman and another member of the Board of its Directors. The Central Bank of India occupies a pre-eminent position in the banking system next to the Imperial Bank of India. It has 287 branches spread all over the country and employs a total workman staff of 8,363. Its resources have declined in the past and consequently with the increasing expenses its net profit has also declined. As a result of the decline in security prices the bank is carrying an uncovered depreciation of about Rs. 2½ crores. In the case of this bank the additional burden of the Labour Appellate Tribunal decision over its expenses under the Government modified decision in 1954 would be Rs. 4·90 lakhs in 1954 and about Rs. 23·10 lakhs in 1957. The bank has been paying a bonus to its employees amounting to Rs. 13 lakhs. In the establishment charges as shown to the Commission the bank had included on account of medical expenses Rs. 6 lakhs. If the implementation of the Labour Appellate Tribunal decision does not leave a large surplus for payment of bonus, I have assumed that the amount hitherto paid as bonus would be available for payment of the Labour Appellate Tribunal decision scales. It would, however, be pertinent to emphasise that these considerations proceed on the assumption that the gross earnings of the bank in 1955—57 would at least remain the same as in 1954. It may also be relevant to point out that its gross earnings (after deduction) between 1948 and 1954 have increased at an average rate of Rs. 14·25 lakhs. That naturally encourage the belief that this bank will keep up its progress in years to come. *This belief is strengthened by the fact that its total deposits have increased by Rs. 12·35 crores between the 31st December 1954 and the 1st July, 1955 which, on the basis of the ratio of gross profit to working capital in the first half of 1954, would mean an annual increase in gross profit of about Rs. 31·87 lakhs.* My conclusion, therefore, is that this bank can bear the burden of the Labour Appellate Tribunal decision. It would thus be clear that my conclusion in the case of this bank is based on an objective appraisal of its financial burden and not in any way upon my impression about the attitude adopted by this bank.

268. That takes me to the case of the Punjab National Bank. This bank urged before me that the present dispute should be considered bank-wise and that the position of the bank should be considered separately by itself. The General Manager of the bank also urged before me that, in his opinion, the salaries which his bank was paying to its employees were very satisfactory and needed no revision at all. He also contended that, even if it was found that A class banks considered class-wise can bear the burden of the Labour Appellate Tribunal decision, his case should nevertheless be considered separately and not by adopting a class-wise approach.

When I discussed the position of this bank with the General Manager by reference to the general questions which were put to every bank, the General Manager seemed inclined to differ from the consensus of opinion expressed before me on these questions. He was apparently disposed to take the view that the gross earnings of banking business in the country may not remain at the same level as was reached in 1954 and he apprehended that the level would be distinctly less. He told me that he had formed his opinion after consulting his own economists. Surprisingly enough, soon after the General Manager met me, it was reported in newspapers that, while opening the Jangpura Extension Branch of the Punjab National Bank, the General Manager claimed that the deposits of his bank were fast increasing and in fact mentioned with justifiable pride a rise of about Rs. 10 crores in its deposits from the close of 1954 up to the middle of May, 1955. Since this version seemed to be wholly inconsistent with the view expressed by the General Manager before me, the General Manager was requested to confirm the accuracy of these figures mentioned in the newspaper report, and these figures were duly confirmed by him. This tends to show, I think, that the General Manager of the Punjab National Bank was taking an unduly pessimistic view of the future of the bank when he discussed its case before me.

269. There is another point which deserves to be mentioned in regard to the case of the Punjab National Bank. While the dispute between the bank and its employees was pending before the Commission, the bank thought it was justified in raising its dividend from 8 per cent to 12 per cent in 1954. The employees complained against this rise in the dividend and they alternatively argued that the attitude adopted by the bank in raising the dividend by as much as 4 per cent showed the confidence with which the management of the bank was looking forward to the progress of this bank. I cannot say that there is no substance in this argument.

270. The bank has 295 branches spread all over the country and a total workmen staff of 5,599. The additional burden of the Labour Appellate Tribunal decision over the expenses under the Government Modification in 1954 would be Rs. 2·98 lakhs in 1954 and Rs. 16·13 lakhs in 1957. The bank has been paying bonus to its employees which amounted to Rs. 9½ lakhs in 1954. On the analogy of the Central Bank of India, the additional amount that the bank may have to find in 1957 over what it is paying as bonus would be small and would be within the reach of the bank. The conclusion, therefore, is that this bank can bear the burden of the Labour Appellate Tribunal decision. This conclusion receives strong corroboration from the fact that in the first half of 1955 the bank's net profit has shown a substantial rise of Rs. 9·04 lakhs over the corresponding profits in 1954. Significantly enough it has increased the amount distributed to its staff by way of bonus from Rs. 4·65 lakhs to Rs. 8·58 lakhs.

271. Among B class banks, the Canara Bank and the Devkarani Nanjee Banking Company pleaded their inability to implement the Labour Appellate Tribunal decision, although at the time of the hearing of the latter bank's case its Managing Director fairly agreed

that if the B class as a whole could pay the Labour Appellate Tribunal decision scales his bank would also like to pay. In the case of the Canara Bank the additional burden of the Labour Appellate Tribunal decision over the expenses under the Government Modification in 1954 would be Rs. 32,000 in 1954 and Rs. 1·56 lakhs in 1957. Considering the position of the bank as a whole and the fact that its deposits have gone up by Rs. 1·07 crores as between the 31st December 1954 and the 30th June, 1955 which on the basis of the ratio of gross profit to working capital in the first half of 1954 would mean an annual increase in gross profit of about Rs. 4·35 lakhs, I do not think that the additional burden would be beyond its capacity to pay. This view is based on the projection of its figures as in the case of other banks until 1957. In the case of the Devkaran Nanjee Banking Company which has showed a steady progress in its working capital and earnings, the corresponding additional burden would be Rs. 1·25 lakhs and Rs. 2·43 lakhs. In view of the fact that the deposits of the bank have further gone up by Rs. 1·81 crores as between the 31st December, 1954 and 30th June, 1955 which on the basis of the ratio of gross profit to working capital in the first half of 1954 would mean an additional increase in gross profit of about Rs. 6·07 lakhs, the additional burden would not be too much for the bank. This conclusion is also based on the projection of the bank's figures until 1957.

272. Thus my conclusion is that the Indian and foreign banks in A class and banks in B class are in a position to implement the provisions of the Labour Appellate Tribunal decision with such modifications as have been suggested by me. In measuring the ability of banks to bear the additional burden of the Labour Appellate Tribunal decision I have made no assumptions in regard to several measures suggested by me earlier for increasing earnings or reducing expenditure. If banks resort to internal economy and make a determined effort to increase their earnings they would find themselves in a more comfortable position even after implementing the Labour Appellate Tribunal decision. The extent to which they can do this would be the measure of the additional earnings they would derive to strengthen their banks.

273. In the foregoing paragraphs I have dealt with banks in A and B classes. They were treated together as after studying individual cases it was found that although their resources were not comparable, in standard of management they were closer than the other two groups. In the same way as far as their problems are concerned, there is much in common between the majority of C class and D class banks. Among the banks in these classes, the standard of management varied from bank to bank. Even in C class which consists of some large banks and a majority of small banks, standard of management varied with variations in resources. There are many banks in these classes which have paid no dividend in recent years. Most of the banks operate in the particular regions; consequently a large number of their branches are situated in smaller places, generally in rural areas, and the resources that they could collect from these places have been limited. Nevertheless they have to maintain disproportionately large staff for security reasons.

The C class consists of banks whose working funds range from Rs. 1 crore to Rs. 7½ crores. Banks not included in this group, i.e., those having resources below Rs. 1 crore fall into D class. According to the list of banks referred by Government to the Tribunals, there were 30 banks in C class and 71 banks in D class. Many of these banks, particularly in D class, however, were not functioning normally as they were working under schemes of arrangement. Some other had reached an agreement with their employees in regard to terms and conditions of employment. There were still others whose addresses were not known. The effective number of banks which were examined by the Commission, therefore, were 23 in C class and 18 in D class. What is said below, therefore, applies to only these banks. Cases of remaining banks are mentioned elsewhere.

274. Between 1948 and 1954 the paid-up capital of C class banks has shown a decline of Rs. 22 lakhs but their reserves have increased by Rs. 76 lakhs. However, their working capital has declined by Rs. 6.70 crores. The fall in resources indicates the difficulties of these banks in the area in which they operate; some of them complained to me about the competition of bigger banks and the licensing policy of the Reserve Bank in allowing them to open branches in places where they were already operating. Many of them have a large number of branches with small deposits which do not yield adequate profit. Several of them make advances at high rates of interest against securities which may not be liquid. Loans are also made to parties in whom the management is directly or indirectly interested. The same could be said about some of their investments other than in Government securities. This has resulted in accumulation of bad and doubtful debts. Investments in Government securities contain a substantial proportion of long-dated securities, with the result that depreciation in their values, though small in absolute amount, is sizeable considering individual resources. Banks in C class, therefore, are a heterogeneous group and I was impressed by the fact that applying the class approach to adjudication of wages in their case might result in hardship to many banks. The majority of banks in this group also pleaded before me that the case of each bank should be considered on its own merits and not on the basis of class.

275. Before I finally decided on my approach to the problem of banks in C class, the Commission considered whether it was possible to divide the class into smaller homogeneous groups. Of the 23 banks in this group 2 are non-scheduled banks. The working funds of 12 banks are less than Rs. 3 crores each. Nine banks have not been paying any dividend for some time past and 7 of them have made a special representation to the Commission for either total exemption from the award or for a lower classification for a period of at least 5 years. Four scheduled and one non-scheduled banks in this class are incorporated in the Travancore-Cochin State and their case is being considered separately. Making allowance for individual variations, I noticed that the majority of banks with resources above Rs. 3 crores were much better off than the remaining banks in the class. Many of them had sizeable resources, their earnings were satisfactory and they were paying regularly a

dividend to their shareholders. In regard to standard of management there was much in common among these banks. Banks with working capital below Rs. 3 crores appeared to be in a somewhat difficult position. In many cases their resources were declining and they did not have adequate reserves nor were they paying any dividend on capital. The implementation of the Government modified decision had already increased the establishment burden in their case and their ability to bear further burden was poor. The segregation of banks into these two groups in C class appeared to be justified but on further scrutiny it was discovered that some banks in each group did not share the characteristics of the group. In the case of those banks in group one which appeared to be difficult cases, I considered whether they would be able to bear an additional burden of establishment charges over their expenses under the Government modified decision and came to the conclusion that that course of action might make rehabilitation of these banks difficult. I, therefore, give up this approach and decided to deal with individual cases in C class.

276. I have, therefore, divided banks in C class into two groups, those which can implement the Labour Appellate Tribunal decision, and those which cannot. The two categories are listed below:

(a) *Banks which can implement the Labour Appellate Tribunal decision—*

1. Bank of Behar
2. Bank of Indore
3. Bank of Jaipur
4. Bank of Maharashtra
5. Canara Banking Corporation
6. Canara Industrial and Banking Syndicate
7. Hind Bank
8. Travancore Bank

(b) *Banks which cannot implement Labour Appellate Tribunal decision—*

All the other banks in C class except those covered by specific recommendations.

277. In the case of banks which, in my opinion, are in a position to implement the Labour Appellate Tribunal decision, the following table will show the additional burden of the C class banks which can pay Labour Appellate Tribunal decision in 1954 and 1957 over that under the Government modified decision in 1954.

Establishment of the workmen staff*

(Amounts in thousands of rupees)

Name of bank	G.M. 1954	L.A.T. 1954	Increase (L.A.T. minus G.M.)	(3) as percent of (1)	L.A.T. 1957	(5) minus (1)	(6) as percent of (1)
	(1)	(2)	(3)	(4)	(5)	(6)	
1. Bank of Behar . . .	589	615	26	4.41	627	38	6.45
2. Bank of Indore . . .	402	428	26	6.47	475	73	18.16
3. Bank of Jaipur . . .	663	758	95	14.33	844	181	27.30
4. Bank of Maharashtra	284	316	32	11.27	354	70	24.65
5. Canara Banking Corpo- ration.	261	319	58	22.22	351	90	34.48
6. Canara Industrial and Banking Syndicate.	766	917	151	19.71	1008	242	31.59
7. Hind Bank . . .	322	358	36	11.18	399	77	23.91
8. Travancore Bank . . .	349	364	15	4.30	411	62	17.77
TOTAL . . .	3636	4075	439	12.07	4469	833	22.91

* Excluding bonus.

278. The amount of paid-up capital and reserves of these banks as shown in the table on page No. 222 increased between 1948 and June 1954 by Rs. 2.82 lakhs and Rs. 47.39 lakhs, respectively. The ratio of their reserves to paid-up capital also improved during the period from 28.76 per cent. to 43.69 per cent. The trend of total working capital also seems to be satisfactory, the rise between 1948 and June 1954 being Rs. 3.17 crores. Their gross earnings have increased from Rs. 1.41 crores in 1948 to Rs. 2.13 crores in 1954. In the same period their expenses have increased from Rs. 1.07 crores in 1948 to Rs. 1.72 crores in 1954. All of them excepting the Bank of Behar have been paying a dividend either regularly or in recent years.

279. During the examination of these banks I questioned their representatives about the ability of their banks to implement the **Attitude adopted by these banks** Labour Appellate Tribunal decision and I am happy to say that the Bank of Jaipur, the Bank of Indore, the Canara Industrial and Banking Syndicate, the Travancore Bank and the Hind Bank either admitted their ability to pay the Labour Appellate Tribunal decision scales or did not seriously dispute it. The representative of the Bank of Maharashtra merely pointed out that the bank had not built up a gratuity fund and if the bank had to implement the Labour Appellate Tribunal decision it may be difficult to set aside a sufficient amount for gratuity. He did not seriously object to the bank's capacity to implement the Labour Appellate Tribunal decision. The Canara Banking Corporation did not appear before me as the representative whom it wanted to depute was on tour, but my examination shows that the bank can easily implement the

**Paid-up Central, Reserves, working capital and net profits of selected
C class Banks, 1948 and 1954**

(Amounts in thousands of rupees)

Name of the Bank	1948						30-6-1954							
	Paid-up Capital		Total Reserves	2 as percent of 1	Working Capital	1+2 as percent of 4	Net Profit	Paid-up Capital		Total Reserves	8 as percent of 7	Working Capital	7+8 as percent of 10	Net Profit*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(12)	
1. Bank of Behar	3,503	2,166	61.83	52,428	10.81	394	3,509	1,740	49.59	44,550	11.78	380		
2. Bank of Indore	1,530	1,850	120.92	48,818	6.92	440	1,530	2,500	163.40	63,166	6.38	502		
3. Bank of Jaipur	5,000	950	19.00	89,041	6.68	914	5,000	1,700	34.00	74,039	9.05	552		
4. Bank of Maharashtra	1,600	410	25.63	20,703	9.71	205	1,600	700	43.75	40,303	5.71	555		
5. Canara Banking Corporation	2,000	859	42.95	28,472	10.04	309	2,000	1,050	52.50	38,961	7.83	372		
6. Canara Industrial and Banking Syndicate	2,269	776	34.20	41,258	7.38	415	2,545	1,210	47.54	56,490	6.65	522		
7. Hind Bank	5,000	1,300	26.00	52,519	12.00	378	5,000	2,200	44.00	38,991	18.47	656		
8. Travancore Bank	10,000	575	5.75	50,499	20.94	410	10,000	2,525	25.25	58,916	21.26	736		
TOTAL	30,902	8,886	28.76	383,738	10.37	3,465	31,184	13,625	43.69	415,416	10.79	4,275		

* For the year ended 31st December 1954, (the figures are preliminary.)

Labour Appellate Tribunal decision. I have treated the case of the Bank of Behar as a special one. It is not paying any dividend and its net profit year after year is utilised for writing off bad and doubtful debts. Under the Government modified decision a large majority of its employees would suffer a steep cut in their emoluments and the establishment expenses of the bank would show a fall even below its establishment under the Government award. The additional burden of the Labour Appellate Tribunal decision is not large and since its representative assured me that the new management had brought about a remarkable improvement in its working from what it was some years back, I have thought it fit to include this bank in the first category. I am satisfied that the additional burden is not so large as to upset its rehabilitation.

280. The position of banks in the second category is no doubt not comparable with the above banks. There are several banks **Banks which cannot pay** whose resources have been declining. Their reserves are not adequate and earning capacity has been impaired owing to the presence of non-earning assets; placing additional burden in their case would confront them with difficulties. I have, therefore, come to the conclusion that they should continue to implement the Government modified decision.

281. For reasons similar to those in the case of C class banks, although the number of D class banks referred to the Tribunals **D class banks** was 71, the actual number examined by the Commission is only 18. Of these 11 banks are in Travancore-Cochin and only 7 banks are in other States. The position of D class banks generally is even less satisfactory than that of C class banks. Although their paid-up capital and reserves increased by Rs. 21 lakhs and by Rs. 10 lakhs respectively, during the period 1948—June 1954, their working capital showed only a rise of Rs. 33 lakhs. Between 1948 and 1954 their gross earnings increased by Rs. 3 lakhs while their expenses increased by Rs. 3.75 lakhs. In the same period their net profit increased by Rs. 89,000 only. The operations of many of these banks showed irregularities. Their loan portfolio is generally over-extended and a number of advances are made either against personal security or against real estate. In very many cases advances are made to parties either connected with the management or in whom the management is interested. In several cases loans have been frozen, but banks have continued to take into account interest which has not been actually received. To that extent their earnings show an inflated figure. Many of them were not paying regular scales of salary to their employees and the implementation of the Government modified decision has initially resulted in a steep rise in their establishment charges. In the case of these banks, however, the main problem that I had to consider was of the branches which are excluded from the operation of the decision, namely, those situated in Part B and Part C States other than Delhi, Ajmer and Coorg. In an earlier chapter I have already explained my views in regard to exclusion of branches from the operation of awards and, therefore, I need not repeat them here. I shall, therefore, restrict myself here to the factual aspect of the

problem. Of the 18 banks in D class 11 banks are in Travancore-Cochin and their problem is being dealt with separately (*vide* Chapter X). The only bank in D class which has branches in the excluded area is the Jayalaxmi Bank. If exemption were to be removed as recommended by me earlier, the additional burden on this bank would be very small and, therefore, I think that in the case of this bank the removal of exemption in respect of branches in Part B and Part C States other than Delhi, Ajmer and Coorg would not have a serious effect.

282. The banks in D class other than those in Travancore-Cochin should implement the Government modified decision with such change as I have recommended in an earlier chapter. Recommendations regarding banks in Travancore-Cochin are made in Chapter X. For reasons mentioned earlier (para. 49) I recommend that the position of D class banks should be reviewed at the end of five years from the 1st April 1954 with a view to considering the structure of wages and allowances for their employees.

ADDENDUM

After the report was finalised and had in fact been stencilled, the Commission has received some relevant information from banks relating to their position as on the 30th June 1955. The following table prepared from the information received from them shows a substantial increase in deposits of A, B and C classes of banks during the first half of 1955. I would only like to add that the substantial increase disclosed by the following table corroborates the anticipation made in that behalf while drafting the report.

Increase in deposits of A B and C class banks during the first half of 1955

(Amounts in crores of rupees)			
Class of banks	Deposits as at		Increase
	31-12-1954	30-6-1955	
A (Indian)	599·63	618·86	19·23
A (Foreign)	175·52	190·83	15·31
B	126·77	136·06	9·29
C	70·10	76·58	6·48
TOTAL (49 banks) .	972·02	1022·33	50·31

CHAPTER IX

GOVERNMENT MODIFIED DECISION—THE APPROACH UNDERLYING THE DECISION CONSIDERED AND COMMENTED ON

283. I have now come almost to the end of my report. The problems connected with some special banks still remain to be considered and my recommendations remain to be enumerated serially and specifically. Chapter X will deal with the problem of special banks and the concluding Chapter will summarise my recommendations. Meanwhile, it seems to me that it would be relevant at this stage to consider the Government modified decision and express my comments on it. That would be the scope of this Chapter.

284. As my report indicates, I have taken the view that Government were fully justified in creating area 4 and in making consequential changes in respect of the scales and dearness allowance applicable to this area. I have, however, not agreed with the view that a part of this area deserves to be completely exempted from the operation of any award. I have likewise agreed with the view taken by Government that a large number of banks in C class needed to be relieved of the burden of the Labour Appellate Tribunal decision and the provision made by the Government modified decision in clause 3(g) is, in my opinion, consonant with the equitable and human considerations which Industrial Tribunals should generally attempt to adopt in the decision of industrial disputes. It is somewhat unfortunate that, in the heat of the debate that followed the publication of the Government modified decision, advocates of social justice and of the cause of employees did not fully recognise the significance of the provisions which the modified decision has made under clause 3(g). On the other hand, having carefully considered the material which has been placed before me and having given anxious thought to the arguments which were urged before me by bankers, I have been constrained to come to the conclusion that Government were not justified in interfering with the Labour Appellate Tribunal decision in so far as banks in A and B classes were concerned (the Bank of Bikaner in B class excepted). That is why, in fairness, I think I ought to indicate very briefly what I regard, with respect, to be the infirmities in the approach adopted by Government in coming to the conclusion in question. I wish to make it clear, however, that, in making my comments on the Government modified decision, I should not be misunderstood as assuming that I am so confident about the correctness of my judgment that I feel inclined to infer that any alternative view is not possible. I am fully conscious that it is very difficult to come to a conclusion in industrial matters which can be said to be absolutely right. The validity and correctness of conclusions in industrial disputes is always relative, and dogmatic assertiveness in favour of one

conclusion and against its alternative would be wholly out of tune with the spirit of enquiry and a modest search for truth which must be the guiding principles of a judge trying industrial disputes. It can be said truly about all adjudication, but more truly about industrial adjudication in particular, that a judge who makes no mistakes is yet to be born. It is in this spirit that I wish to offer a few comments on the Government modified decision.

285. In examining the merits of the Government modified decision, it would be relevant to bear in mind the statutory background of the powers which Government sought to exercise in this case. I have already explained the statutory limits within which Government are authorised to interfere with an award. It is only where and if Government are satisfied that their interference is called for on public grounds that they can either reject the whole of the award or modify it. The limits thus imposed by section 15 necessarily postulate that Government would not be entitled to interfere with the award even if they thought that the award is not as sound as it should have been or is otherwise capable of improvement in material particulars. The fact that an award is defective and can be easily improved upon would, in my opinion, not be a sufficient justification for interference by Government under section 15. The defect or infirmity of the award which can justify the interference of Government must, in every case, amount to grounds which are in the nature of public grounds. In other words, the fact that Government, or in fact another judicial officer, might, on the merits, have taken a different line and might have made different provisions would not always or necessarily constitute public grounds.

286. The second point which needs to be emphasized is that statutorily the life of an award in the maximum is three years. Under section 19 sub-section (3) of the Industrial Disputes Act (XIV of 1947), it has been provided that an award shall remain in operation for one year, but that the appropriate Government may reduce the said period and fix such period as it thinks fit. The said section further provides that the period of enforcement of the award may be extended by the appropriate Government, but that such extension can never exceed three years from the date on which the award came into operation. At the end of three years the matter would be at large and any defects in the award can be cured by subsequent adjudication if parties feel aggrieved by the said defects and an industrial dispute arises between them afresh. That is not all. Sub-section (4) of section 19 enables the appropriate Government to refer the award or a part of it to a Tribunal for decision whether the period of operation should not be shortened if it appeared to the appropriate Government *suo moto*, or on application made by any of the parties, that there has been a material change in the circumstances on which the award was based. It would thus be noticed that there are two checks provided by the statute. The first check is provided by confining the life of the award to a maximum of three years; and the second check is provided by conferring on the appropriate Government authority to limit the life of the award on the ground

that there has been a material change in the circumstances and this can be done by referring the matter to a Tribunal. I am referring to this statutory provision to show that, if it is represented to Government that any award should not be enforced because its implementation would be inexpedient on public grounds, Government must be satisfied that public grounds which make the implementation of the award inexpedient would be present in the immediate future. If the public grounds on which it is apprehended that the implementation of the award would be inexpedient are not shown to come into existence, say for a couple of years, then I apprehend the proper course to adopt would be to invite the appropriate Government not to extend the life of the award after a year under section 19(3) or to exercise their powers under section 19(4), in which case it would not be desirable either to reject the award or to modify it straightway. If this be the true position, it would be relevant, to enquire whether Government came to the conclusion that the implementation of the award would be inexpedient on public grounds in 1954 or in any subsequent year.

287. It may be urged that Government were impressed by the argument that, if the Labour Appellate Tribunal decision was once allowed to be enforced, it would be very difficult to reduce the wage structure or the dearness allowance later on. Perhaps as a practical proposition there may be some force in this contention. But looking at the question theoretically, this consideration may not have relevance on the question of law with which I am dealing. If, in a given case, Government are told that in respect of a particular award its implementation may involve the trade in trouble ten years from the date of the award, would Government feel justified in interfering with the award on the anticipated result of the impact of the award in future? Besides, theoretically it would be possible for an Industrial Tribunal to reduce the wage structure and the dearness allowance if it is shown that the fixation of the structure and dearness allowance by an earlier award had imposed on the trade or business an unduly large burden, or that circumstances had changed since the time of the first award and these circumstances necessitated the lowering of the wage structure and dearness allowance. *It would also be unreasonable, if not irrational, to base one's conclusion in respect of such awards on hypothetical long-term considerations, because quite clearly it would be impossible to anticipate the shape of relevant circumstances in the distant future, particularly in the context of the quickening tempo of economy in this country.*

288. The point of law which I have sought to raise be reference to section 19 sub-sections (3) and (4) of the Industrial Disputes Act tends to become stronger in the present case **Dearness allowance the main point in dispute** when it is remembered that the only substantial modification which has been made by the Government modified decision relates to the dearness allowance. It would, therefore, be permissible to assume that Government did not feel disposed to interfere with the main wage structure on the merits. If it appeared to Government that the dearness allowance

had been fixed by the Labour Appellate Tribunal unduly liberally or on an erroneous basis and as a result banks were called upon to face a financial burden beyond their capacity, it would be relevant to enquire whether recourse to the provisions of section 19 sub-sections (3) and (4) in proper time and in the manner prescribed by the said sub-sections would not have met the requirements of the case. Was it really necessary to exercise the powers of interference under section 15 in such case?

289. The Labour Appellate Tribunal bitterly complained that banks were reluctant to produce before them evidence which the Tribunal thought was relevant. The members of the Tribunal had, therefore, no alternative but to base their conclusions on such material as was available to them. In respect of A and B class banks, they studied the relevant "Statistical Tables" and "Reports on the Trend and Progress of Banking in India" published by the Reserve Bank of India. In particular they closely examined the position of the net profits of these two classes of banks and came to the conclusion that the figures "bespeak banks of abundant vitality". Incidentally they also took into account the fact that, though banks had complained that the impact of the Sen award would be extremely unfavourable to the stability of the banking business in the country, actual experience belied those apprehensions, and despite the implementation of the Sen scales which started in 1950 the net profits of all India scheduled banks had increased from Rs. 6.58 crores in 1950 to Rs. 7.43 crores in 1952. The relevant figures which were produced before the Labour Appellate Tribunal related to the years 1949 to 1952. The award shows that the members of the Tribunal realised that, in fixing the wage structure, they were inevitably making certain assumptions as to the future position of the banking business in this country considered class-wise. But this of guess-work cannot be avoided in any industrial adjudication that is concerned with the fixation of wage structure. It seems to me that, considering the figures which were produced before the Labour Appellate Tribunal, it would be difficult to contend that their final conclusions are completely inconsistent with the trend of the figures that they considered. Banks have throughout sworn by the Sastry award. But it is significant that the Sastry award had attempted to fix the minimum wage structure, the idea being that the wage structure should be within easy reach of the weakest link in the class; and that indeed was the main attack made by employees against the Sastry award before the Labour Appellate Tribunal and the Labour Appellate Tribunal held that the attack was valid. I am disposed to agree with the view thus expressed by the Labour Appellate Tribunal. The task of fixing a wage structure is undoubtedly very onerous and very difficult in industrial adjudication. Though the wage structure should not be unduly beyond the reach of the weakest link, an Industrial Tribunal would not be justified in adopting the line of least resistance and in fixing a wage structure which it itself describes as the minimum wage structure. Incidentally, in fairness to the Sastry Tribunal, I must not omit to add that the award of the Sastry Tribunal in more places than one had expressed the hope that some of the

banks that could easily bear the burden of a much higher wage structure should not convert the minimum into the maximum and the award appellated to these banks to act fairly by the employees and agree to pay higher wages to them. This hope never materialised. There is reason to believe that, if the major banks had responded to the appeal made by the Sastry Tribunal in its award, the dispute between banks and their employees might not have become so bitter and might perhaps have ended much earlier. On the merits, then, confining myself to the figures produced before the Labour Appellate Tribunal, it would not be easy to hold that the conclusions of the Labour Appellate Tribunal were inconsistent with the trend of the banking business as it was disclosed by the relevant figures before the Tribunal.

290. After the decision of the Labour Appellate Tribunal was pronounced, banks represented to Government that the trend **Representation by banks to Government after the publication of the Labour Appellate Tribunal decision** disclosed by the figures of 1953 showed a distinct decline in earnings and that if the same decline were to continue in subsequent years the burden imposed on banks by the Labour Appellate Tribunal decision would spell disaster to the banking business of the country. Government had naturally to consider this allegation seriously and they felt that for a serious and thorough examination of the said allegation it would be useful to collect relevant data. That is why Government asked the Reserve Bank of India to collect the relevant material from five or six banks from each class from different areas showing the effects of the awards on their establishment charges and on their general financial position. It must be conceded that the figures of 1953 did tend to show a decline, and if it could be reasonably anticipated that the story of decline would be repeated in subsequent years and that the figures would remain at the same level as in 1953, then the apprehensions of banks could not be easily dismissed as wholly unjustified. The crux of the problem, therefore, lay within a narrow compass. In considering the impact of the Labour Appellate Tribunal decision, would banks be justified in asking Government to assume that there would be no improvement in the banking business at all and that the low level banking figures in 1953 would continue in 1954, and 1955 and 1956? Presumably after the Reserve Bank of India collected the necessary information and examined it and a report was received from the Reserve Bank, Government decided the matter on the assumption that the contention of banks that the low level of 1953 would persist in 1954, 1955 and 1956, and it is in respect of this basic assumption that, with very great respect, I beg to differ.

291. Pursuant to the directions from the Government of India, the Reserve Bank addressed 36 banks and called for relevant information from them; however, only 30 banks **Objections against the sampling methods adopted** supplied the required information. In selecting these banks, the Reserve Bank adopted the sampling method. The usefulness and validity of the sampling method is, of course, not in dispute where the universe with which the economist or statistician is concerned is very large. Where, however, as in the present enquiry, the

universe with which we are concerned is not large, the utility of the sampling method is open to question. Besides, it is not very clear whether the selection of the banks class-wise and area-wise was made in accordance with correct statistical principles in the present case. I apprehend that, in coming to their conclusion, Government may perhaps have overrated the utility of the sampling method in the present dispute. I am disposed to think that results achieved by the adoption of the sampling method cannot reasonably be regarded as decisive in a dispute of the present kind. It may be that two views are possible on this subject. But, in fairness, I ought to indicate which view I have accepted. If it is remembered that the banking dispute can be considered either class-wise or bank-wise, it would be possible to appreciate the argument that the universe in question is narrow and that the nature of the approach to the dispute does not permit exaggerated importance to be attached to the utility of the sampling method.

292. A more serious objection which, with respect, falls to be raised against the approach adopted by Government in coming to their conclusion relates to the assumption presumably made by them that the decline in banking business evidenced by the figures of 1953 would be repeated in the three subsequent years. It would not be unfair, I think, to assume that the Government decision was substantially influenced by the consideration that there had been a progressive decrease in the aggregate net profits of banks for the years 1951 to 1953 and that the income of the Indian banks for 1954 would continue to be practically at the same level as for 1953. In this connection, it may be relevant to point out that the figures of 1954, which were available up to the time when Government pronounced their modified decision, do not, in my opinion, lend support to this assumption. The comparative figures of July 1953 and July 1954 may, in this connection, be considered. The figures of total deposits in July 1953 and July 1954 respectively were Rs. 890.5 crores and Rs. 939.7 crores. Similarly, the figures of cash and bank balances including money at call were Rs. 111.5 crores and Rs. 110.1 crores, while the advances amounted to Rs. 532.0 crores and Rs. 556.9 crores. It would also be relevant to point out that the "Trend and Progress of Banking in India" published by the Reserve Bank described the year 1953 as a quiet year; and in commenting on the features of this quiet year, the report has observed that the increase in deposits of banks in 1953 following a slight decline in 1952 seems to indicate that the post-Partition downward movement in deposits had been arrested. Besides, the figures in respect of the banking business in the country as on the last Friday of June 1954 indicated that the total deposits of all banks had increased to Rs. 924.4 crores as against Rs. 891.7 crores on the last Friday of December 1953. Similarly, their cash and bank balances including money at call and short notice had risen from Rs. 107.4 crores in December 1953 to Rs. 109.7 crores in June 1954, and the total advances had also gone up from Rs. 503.9 crores to Rs. 572.7 crores during the same period. As I have already indicated, in considering the effects of the impact of the Labour Appellate Tribunal decision on

Is the assumption
that the low level
in 1953 would per-
sist in subsequent
years justified

the banking business of this country, it is necessary to correlate the gross earnings of banks with the structure of their expenditure, and a projection of these figures into two or three future years needs to be studied for the purpose of coming to a valid conclusion on this point. The projection in respect of the expenditure figures presents no difficulty, because these figures are supplied by banks and they have to be projected after making suitable adjustments in regard to provision for income-tax as indicated in an earlier Chapter of this report. The projection of the gross earnings, however, is a difficult matter and unless the gross earnings are duly and properly projected it would be impossible to get a complete picture of the bank's financial position in the two or three subsequent years. In projecting the gross earnings in subsequent years, guess-work is inevitable; before I took a final decision in the matter of this projection, I consulted some economist friends. I also discussed this question with the advisers at length; and my final conclusion received their full approval. It may be that two views were possible. The rise which was obviously discernible in the figures of 1954, according to one view, indicated that banks had turned the corner, that the phase of decline had come to an end, recession had been arrested and an upward tendency was clearly discernible. On this view, it would be reasonable—and, indeed, essential—to assume that the figures of gross earnings of banks in subsequent years would not go below the corresponding figures for 1954. On the other hand, it may have been possible to take the view that, though the figures of 1954 registered an appreciable rise, it was too early to anticipate that the level of the rise would be maintained in subsequent years. Whether Government took this view or whether in coming to their conclusion their attention to the rise in the figures of 1954 was not effectively drawn by bankers, it is difficult to say. *I may be permitted to add that I cannot escape the feeling that the rising trend in the banking business which was disclosed by the figures of 1954 available until the date of the Government decision was probably not noticed by Government.* But, as I have just indicated, theoretically it may be that two views are possible. That is why I armed myself with the opinion of some economists, and, more particularly, with the opinion of bankers themselves. Apart from the evidence of expert opinion, however, the story disclosed by subsequent figures lends corroboration to the view which I have preferred to accept. If the view which I have taken as to the basis on which the gross earnings can be safely projected in 1955, 1956 and 1957 is right, then the alternative view on which the conclusions of Government may have been based must be said to be wrong. That, in my opinion, would introduce an infirmity in the Government approach and consequently in their conclusions.

293. There is another point which introduces an infirmity in the Government approach and that arises from the fact that the impact **The impact of the First Five Year Plan not fully considered** of the First Five Year Plan on the banking business of this country does not appear to have been fully considered. When I request the bankers to give me their estimate as to the impact of the First Five Plan, there appeared to be consensus of opinion amongst them that, considering the banking business of the country as a whole, the

impact of the First Five Year Plan would be favourable to banks and would add to their gross earnings. Naturally, they were reluctant to attempt the difficult task of estimating the extent or magnitude of the addition to the gross earnings which the impact of the Plan may cause and I myself fully understand the difficulty of making any such anticipation. The question, then, which arises for decision is whether it would be reasonable to assume that, as a result of the impact of the First Five Year Plan, the rise in the banking business registered in 1954 may not turn out to be the special feature of 1954 alone and that in all probability the level of 1954 may be retained in 1955 and 1956 with a possibility that there may be a rise in the said level. Incidentally, it was known even in 1954, when Government took their decision, that the Second Five Year Plan was going to follow the First Five Year Plan, and in the very nature of the scheme of planning the Second Five Year Plan would involve a much larger expenditure and would naturally have a comparatively bigger impact on the banking business of the country. It is true that in August 1954 the consideration of the impact of the Second Five Year Plan was not in the realm of actuality. But if the Second Five Year Plan was certain to follow and it was reasonable to expect that its impact would, on the whole, be more helpful to banking business of the country, it would, I think, be relevant to bear in mind the effect of this possible impact when one is considering the question as to whether the banking business in the country would find it impossible to bear the burden of the Labour Appellate Tribunal decision. With very great respect, I entertain a serious doubt as to whether these aspects were fully taken into account by Government when they came to their conclusion that the burden of the Labour Appellate Tribunal decision would be too much for the financial resources of the banking business in this country. If this view is right, then it introduces another infirmity in the approach of Government and affects the validity of their conclusion. Before I part with this topic, I think it would be useful to cite the opinion expressed by the Reserve Bank of India in the "Trend and Progress of Banking in India" for the year 1954. "The rising trend in deposits", says the report, "confirms the observation made in the report for 1953 that the post-Partition decline in deposits has been arrested; in fact, a phase of deposit expansion related in the main to the rising tempo of Government outlay under the Five Year Plan seems to have begun".* In this connection, it would, I think, be permissible to cite also the general observations in Chapter IV of the "Report on Currency and Finance" for the year 1954-55 published by the Reserve Bank of India. This publication has reached the Commission whilst I am finalising my report and it appears to me that the general observations which I am about to quote from it have a material bearing on the problem I am discussing at this place. Under the heading "General", Chapter IV of the publication, which deals with "Money and Banking", opens with these general observations:

"Along with the growth in output, and largely sustained by it, was the considerable expansion both in money supply and in banking activity during the year. The removal of physical controls over a wide sector also tended to increase the demands upon the banking system. The faster pace of Government spending on

* Chapter II page 4 of the report.

economic development resulted in a larger budgetary deficit, which was one of the main causes affecting monetary circulation. Concurrently, there was a sizeable extension of bank credit. These two factors, offset partially by the rise in time liabilities of the scheduled banks and by the open market operations of the Reserve Bank, provide the explanation for a rise of Rs. 124 crores in money supply with the public in 1954-55, which compares with the increase of Rs. 72 crores in 1953-54 and contrasts sharply with the decline of Rs. 221 crores during the preceding two years. For the first four years of the Plan, there was a net decline in money supply of Rs. 24 crores. The expansion in money supply during 1954-55 has, however, not led to any signs of inflationary pressures and has thus contributed to the achievement of growth with stability.

"Resources of the banking system could not but be affected by the budget deficit. The net deposit liabilities of scheduled banks rose by Rs. 94 crores during the year, providing a sharp contrast to only a nominal rise in the previous two years. On these resources, banks were able to extend additional credit to the tune of Rs. 66 crores, as against only a nominal rise in bank credit of Rs. 6 crores in 1953-54 and a sharp contraction of Rs. 51 crores in the year before. They were also able to build up their investments, mainly in government securities which showed a rise of Rs. 25 crores during the year."

I think it would be legitimate to point out that these observations, in the main, support the reasonableness of the assumption which I have made in projecting gross earnings of banks in three subsequent years.

294. There is one more aspect of the matter to which I must refer. In deciding whether interference with the decision of the Labour Appellate Tribunal was justified under section 15 of the Industrial Disputes (Appellate Tribunal) Act, 1950 it was necessary to consider the effect of the class-wise or bank-wise approach on the complaint made by bankers. If a bank-wise approach had to be adopted, then the case of each bank should have been specifically and separately considered and suitable modifications made, if necessary, in the decision of the Labour Appellate Tribunal in respect of these banks. It is clear that some banks—and their number is not small by any means—never disputed their ability to pay according to the Labour Appellate Tribunal decision. It would not have been difficult to find that some other banks were able to pay without any difficulty, though in terms they did not admit their ability to pay. If the dispute was considered bank-wise, it is difficult to see why these banks should not be required to pay according to the decision of the Labour Appellate Tribunal. If the dispute is considered class-wise, then Government should have definitely come to the conclusion that A and B class banks were not able to bear the burden considered class-wise and collectively. It is not clear whether Government did come to such a conclusion. It is, however, clear that Government felt impressed by the argument that some banks in both A and B classes could not bear the burden, and as I have myself mentioned in my report, some banks may not find it so easy to meet the burden in subsequent years. But if the

approach is class-wise and if it is found that a class can bear the burden, it would not be fair to upset the whole wage structure solely on the ground that one or two units that happen to be weak units in the class cannot comfortably or easily bear the burden. After all, it is important to remember that the dispute is between employees who claim a fair wage and banks that do not appear to be over-enthusiastic to recognise their claim. In such a case, social justice, requires that at least banks that admit their ability to pay, or those that can be proved to be able to pay, should bear the burden of the Labour Appellate Tribunal decision. With very great respect, it seems to me unfair that bankers should expect the wage structure to be so arranged as to be within easy or comfortable reach of the weakest link, though it may be far below the reach of the stronger units in the same class.

295. I have made it clear in my report that, consistently with the terms of my reference, I have refrained from adopting a doctrine **Is it open to banks to claim that the disputes should be adjudicated upon bank-wise at this stage. ()** naire approach in making my recommendations. In dealing with banks falling in A and B classes, it is true that I have, in the first instance, looked at the problem class-wise in my report. But before proceeding to draft and dictate my report, I critically examined the position of each individual bank even in these two classes and my analysis and final conclusions in respect of each of these banks are recorded in my confidential report. Even so, I have dealt with the cases of banks that seriously disputed their ability to bear the burden of the Labour Appellate Tribunal decision in my public report. The terms of my reference require that I should consider the result of the impact of the decision, not only on the classes of banks, but on the individual units of the banking business, and that explains the procedure which I have adopted in making my recommendations. It seems to me, however, that in considering the question as to whether Government were justified in interfering with the decision, it may be permissible to enquire whether, in invoking the power of Government under section 15 of the Act, it was open to banks to request Government to consider the effect of the impact of the decision on individual banks as such. In other words, was it open to banks at that stage to request Government to examine the problem bank-wise and not class-wise, and then decide whether the grievance of banks, at any rate of some of them, was justified or not? I am fully conscious that industrial adjudication should not be burdened with mere technicalities that may be relevant and material in ordinary adjudication before ordinary Courts of law. Even so, it seems to me that, in view of the fact that banks had unanimously agreed before the Tribunals that the proper approach to deal with the dispute was not bank-wise, but class-wise, it would not have been open to them to challenge the basis of the decision of the dispute altogether and to press upon Government the contention that class-wise approach had inflicted injuries on individual units of the banking business and so the problem should be considered afresh on the basis of bank-wise approach. Estoppel may, in a sense, be regarded as a technical consideration. But estoppel, often enough, helps fairplay and justice. In the present case, it would be unfair to the Tribunals, and, I apprehend, even to employees, if banks were allowed to change their attitude after all the proceedings before both the Tribunals were over and then

contend that class-wise approach which had been adopted by both the Tribunals with their express concurrence should be dropped and bank-wise approach should be adopted instead. May I suggest, with respect, that Government, in exercising their power under section 15, should and would be slow in allowing any party to change its attitude and, as we often say in courts of law, to approbate and reprobate? Since it is not clear whether Government came to their decision by adopting a class-wise or bank-wise approach, I thought it may be relevant to set out this point for the consideration of Government.

296. Shortly stated, the position appears to be that the decision of the Labour Appellate Tribunal was based upon the examination of figures produced before the Tribunal in respect of the years 1949 to 1952. The representation of bankers to Government was presumably based substantially upon the figures of 1953 coupled with the argument that the figures of 1953 would show no improvement in the years 1954, 1955 and 1956. In my present enquiry, however, it has been conceded by most of the bankers that the decline in banking business has been arrested in 1954 and that the figures of 1954 indicate an upward trend. They also conceded that, having regard to all the relevant circumstances, it was reasonable to assume that the level of figures of 1954 would be maintained in two or three subsequent years and that perhaps it may even be that years subsequent to 1954 may show a slightly upward trend. It is obvious that the business of banking is not a static business and so the task of anticipating the gross earnings of the banking business in any subsequent year is not at all easy. Fortunately, however, it appeared to be common ground between most of the bankers and employees before me that it would not be unreasonable to assume that the gross earnings of 1954 can be safely projected into three subsequent years because bankers did not seem to apprehend a fall in the level of those figures in the approximate future. I would like to add that the procedure adopted in judging the capacity of banks to pay class-wise or bank-wise was explained to each banker when the case of his bank was examined in the presence of employees and there was agreement on the point that the method adopted by us was, on the whole, satisfactory and reasonable. That is why I have observed that the controversy really lies within a very narrow compass. Were Government justified in assuming that the low level of banking figures of 1953 would be continued in 1954, 1955 and 1956? Or is the Commission justified in assuming that the figures of 1954 represented a rising trend in the banking economy of the country and that it would be safe and reasonable to assume that there would not be any return to the low figures of 1953 in 1955, 1956 and 1957 and that at the lowest the figures of 1954 would continue in 1955, 1956 and 1957? In such a case, it is naturally difficult to assume that one view is definitely right and the other is definitely wrong. I have set out as best as I could the relative merits of the two views, and since I have accepted the view that the figures of 1954 can be safely projected into 1955, 1956 and 1957 I am disposed to think that the contrary view on which the Government decision is based is not justified, and that introduces an infirmity in the decision of Government.

CHAPTER X

Problems connected with some special cases

The problem of banks incorporated in the Travancore-Cochin State

297. This chapter would be devoted to the consideration of problems connected with special banks. I would begin by discussing

The background first the problem presented by the banks in Travancore-Cochin State. Banks incorporated in the Travancore-Cochin State present peculiar problems of their own while occupying at the same time a very important place in the economy of that part of the country. It is a predominantly small economy, essentially agricultural, and is based on a vast educated lower-middle class which forms a majority of the population of that State. Consequently the banking units incorporated in this area are very small in point of paid-up capital, reserves and total resources and, therefore, in respect of their profits as well. There are as many as about 160 banks incorporated in this small State out of which only 5 have been admitted to the Second Schedule to the Reserve Bank of India Act, 1934 while only 17 have branches outside the State thereby being made parties to the present dispute. The size and resources of these 160 banks can be gauged by the fact that the total deposits of all of them aggregate only about Rs. 26 crores. Only 4 of them have resources of above Rs. 2 crores each, 4 have resources between Rs. 1 crore and Rs. 2 crores, 25 have resources between Rs. 25 lakhs and Rs. 1 crore, and the rest have resources ranging from Rs. 1 lakh to Rs. 25 lakhs. The profit position of these banks has also not been very happy. Most of them have not been able to pay any dividend at all. The volume and extent of the resources, earnings and establishment charges of these reporting banks as classified according to the awards are shown in Statement No. 24 attached to this report.

298. The banking industry in the State is of recent origin the oldest amongst banks having been incorporated in about the year 1920 and they have, therefore, not had much time to consolidate their position nor have they had any facilities for effecting a rapid growth in their capital as well as their business. Their resources are also of a lopsided nature, in that the proportion of time deposits to total deposits is rather high which carry a high rate of interest with the result that the cost of obtaining funds is almost prohibitive. The effect of this is that banks have per force to seek channels of investments which would yield a high return on their funds even at the cost of increased risks. The rates of interest offered on Government securities are not sufficiently attractive for this purpose and, therefore, such securities account for only a small proportion of the total investment of their funds by these banks. Consequently, the liquid position of most of them is poor and the financial position weak. Banks, thus, find it difficult to comply with those provisions of the Banking Companies Act which require the maintenance of a liquid position of a higher order as well as the observance of certain accepted standards in the matter of investment

of their funds. Most of their advances are either against landed property or to persons who are holding land. The proposed legislation for Land Limitation in the State may, it is alleged, affect the financial position of these banking institutions as the value of landed property is expected to be considerably reduced when the said legislation is enacted and there is a scramble for disposal of the excess holdings by the landlords within the stipulated time. This apprehension had led the Travancore-Cochin Bankers' Association to represent to the Reserve Bank of India for the relaxation of some of the stringent provision of the Banking Companies Act and this had been granted especially in respect of sections 11 and 24 of the Act, which lay down the statutory requirements regarding the paid-up capital and reserves of banks and the maintenance of certain proportion of quick assets to the total outside liabilities respectively. The exemption thus granted was initially for a period of one year and was further extended by another year.

299. It is against the background of these working conditions that the case of banks incorporated in the State, which have been made parties to the dispute, has to be considered.

Difficulties pleaded by banks Both the Travancore-Cochin Bankers' Association, Kottayam and the Kerala Bankers' Association, Trichur 6 and 9 members of which respectively have been made parties to the dispute, had, in the early stages of the present enquiry, made representations to the Commission for treating the case of these banks as a special one; they stated in the memoranda submitted by them that it was unfair to compel banks incorporated in this area to pay their workmen all-India scales which are necessarily based on the pay scales of big banks in India. They had pleaded that the basis of the pay in their case should be according to the ability of these banks to pay, a point which according to them had not been duly considered till then. They had further contended that on account of the predominantly agricultural economy of the area the margin of profit of banks incorporated in the State could not be computed on a par with banks elsewhere in India and that the inherent defects of their particular economy necessitated larger provisions for writing off bad and doubtful debts. Notwithstanding all these defects these banks had till now been rendering very valuable service to the agriculturist-cum-mercantile community as well as to the lower middle class. In case, therefore, this service was suddenly withdrawn it would create a void in the credit structure of the area and rural uplift in the State would receive a setback.

300. Considering the peculiar circumstances in which banks incorporated in the State as well as their employees functioned, it was considered necessary to conduct an on-the-spot enquiry into their working conditions and the late Shri Justice Rajadhyaksha, accompanied by Adviser Shri Savkar and Secretary Shri Korke, toured the State early in January 1955 visiting 4 important centres, viz. Cochin (Ernakulam), Kottayam, Trichur and Trivandrum where most of the banking companies which are parties to the dispute have their registered offices. The representations made by banks at all these centres, except that by the Travancore Bank, Trivandrum were almost all on identical lines and they all pleaded for total

exemption of banks in this area from the application of the all-India awards. They stated that although such all-India awards at present affected only 17 banks out of about 160, any upwards gradation in the wage scales of their workmen would start discontent amongst the workers of the other banks and these too in their turn would have to upgrade their wage scales in order to ensure peace in the industry. In the alternative they suggested reclassification of the affected banks into additional groups on the basis of their total deposits, a method adopted by the Reserve Bank in the Statistical Tables published by it, and fixing wage scales for them lower than those stipulated for D class banks under the awards. Some of the other suggestions made by these banks related to alternative methods of classification or of judging capacity to pay and to inclusion of additional areas for total exemption from the awards as in the case of area 5 as created under the scheme of the Government Modification. The Commission was told by experts having knowledge of financial conditions in the State that they shared the apprehensions of the bankers and the conditions of banking in the State also confirm the view that the proposed Land Limitation Act may prove unfavourable to the banking business in the State. In their opinion the State was definitely over-banked and the position of most of the banks was illiquid. The banking structure of the State could be improved either by amalgamation of the weaker units or by the process of elimination of the undesirable units by refusal of a licence to them by the Reserve Bank under section 22 of the Banking Companies Act, 1949. This appeared to be the effect of expert opinion consulted by the Commission.

301. The Commission, during its tour also met the representatives of the regional union of employees as well as those of two individual constituents thereof. The constituent unions were mainly concerned with the area classification of the places to which they belonged; they contended that the said places should be classified as area 1 on account of the high cost of living prevailing there due to industrialisation thereof or due to certain other causes peculiar to those places. The employees' representatives, however, could not produce any satisfactory statistics regarding actual cost of living at these places in support of their above contention. The representatives were not able to give the Commission much help in the matter. They merely contended in a general way, that banks in the State were in a position to bear the wage scales fixed by the Labour Appellate Tribunal and their position was stable on account of the Kuri business carried on by them. According to the employees if banks had suffered any losses on this account it was due to the defective or fictitious security obtained by them in some of their transactions. They further discredited the fears regarding any possible landslide in the price of agricultural or other land as a result of the proposed Land Limitation Act as, according to them, the land hunger in the State was very acute and any land offered for sale would easily fetch a good price provided its title was good. There was, therefore, no fear of any loss to banks on this account. They drew the Commission's attention to the fact that the State Government had recently increased the wage scales of their employees and there was, therefore, a strong case for bettering the lot of bank employees as well.

302. As regards the suggestion of the banks that the entire area of Travancore-Cochin State should be totally exempted from the operation of any award for an indefinite period, this **Claim for exemption Considered** cannot obviously be entertained as it would mean continuance of *status quo* without any attempt being made to improve the situation. I feel that some of the difficulties and apprehensions expressed by these banks may be well founded and that in my opinion calls for a special treatment of the problem. Most of the banks confining their activities to the Travancore-Cochin State are uneconomic units and one of the reasons for their financial weakness is the overwhelming number of banks in the State and the consequent keen competition encountered by them in their day to day business. The solution to their present problem does not, however, lie in the avoidance of conditions which may require an upward revision of the present salary scales of their employees, but in the reorganisation of the entire banking structure. Moreover, it would not be proper to deny employees of the 17 banks which are parties to the dispute, the benefits that their '*confrere*' would be receiving in other parts of the country just because they happen to serve in banks situated in the Travancore-Cochin State. The second suggestion made by the bankers regarding reclassification of the affected banks into separate groups and allowing them to pay their workmen according to scales lower than those applicable to D class banks cannot also be accepted; a reclassification of banks on the lines adopted by the Reserve Bank would in effect mean construction of a very large number of scales of pay etc. for about eleven groups of banks, and that would be beyond the realm of practicability. I feel it would not also be equitable to fix for workmen of these banks salary scales lower than those for D class banks which obviously and admittedly represent the basic or minimum wage and these banks are not entitled to claim that they should be allowed to pay their workmen less than the basic or minimum wage.

303. It would thus appear that the views expressed by banks and employees in respect of the problems raised by the Travancore-Cochin banks are very complex and there are undoubtedly some special features of these banks which call for separate consideration. The operating units of these banks are usually small: most of them operate in rural areas. The salary structure prevailing in the State itself appears to be somewhat low, and in considering the problems of these banks it would be difficult, if not impossible, not to touch matters which may affect the general economy of this area. Indeed, I understand that the special problem posed by the banks in Travancore-Cochin has already received the attention of the Reserve Bank of India and a special enquiry has been ordered by the Reserve Bank to consider this problem. The pendency of the Land Limitation Bill, which is on the anvil of the local Legislature, also introduces another complication on which parties have expressed inconsistent and conflicting views before the Commission. I am, therefore, inclined to take the view that, in order that the problem of these banks should be more comprehensively considered, it will be necessary to hold an enquiry covering an area much larger than is permissible under the terms of reference of this Commission. The recommendations in respect of

The complex nature of the problem; Need for thorough examination

banks that are parties to the present dispute would naturally have their repercussions on the wage structure of several other banks which are not before the Commission. Besides, if any recommendations are made in respect of the banks before me, they may tend to affect the general economy of the area itself. On the whole, therefore, I feel satisfied that it would be advisable to leave the Government modified decision unchanged in respect of these banks.

304. I wish to make it clear that I come to this conclusion not without reluctance and the primary reason which has weighed in my mind in coming to this conclusion is that, on **Recommendations** the terms of reference as they stand, it would not be competent for me to consider several aspects of the matter which are relevant and important. That is why I see no alternative but to recommend that the Government modified decision in its entirety should be implemented by these banks. The creation of area 4 together with complete exemption granted to a part of the said area should also operate in respect of these banks in so far as branches of these banks situated within the limits of Travancore-Cochin are concerned. I am, however, anxious that this state of affairs should not be allowed to continue for an indefinite period, and that takes me to the other recommendation which I wish to make in respect of these banks.

305. The second recommendation, which I wish to make to Government as a corollary to my first recommendation, is that Government should, as soon as may be expedient, appoint a Commission to study the problem of the banking system in the Travancore-Cochin State comprehensively *do novo*. I suggest that on the Commission to be appointed wide powers should be conferred so as to enable it to examine, not only the financial position of these banks and the terms and conditions of service of their employees, but also similar problems in regard to all the banks in Travancore-Cochin. The Commission should also be able to examine the effect of its recommendations on the general economy of the area and to suggest suitable methods for strengthening the banking business in this area, such as amalgamation of weaker units and elimination of those that cannot usefully survive. I should also like to add that, in my opinion, the operation of the Government modified decision in its entirety in respect of the banks in question should continue for a period of two years from the date when Government announce their decision after considering my report, or until the recommendations of the Commission to be appointed are received by Government and are implemented, whichever event happens earlier. In case Government do not think it expedient to appoint a Commission as suggested by me, or in case a Commission is appointed but is unable to make its recommendations within two years, or its recommendations are received but not implemented within two years, then I would recommend that the exemption granted by the Government modified decision to a part of area 4, which has been described as area 5 in my report, should cease to be operative. If no Commission is appointed the position of D class banks incorporated in the Travancore-Cochin State should be reviewed as at the end of March 1959 along with other D class banks.

306. The position of the Travancore Bank, however, is entirely different. It is a State-sponsored institution and its financial position is very satisfactory. In fact, the Managing Director of the bank told the Commission that the question of appointing the bank as agent of the Reserve Bank of India in the Travancore-Cochin State was under the active consideration of the Reserve Bank. It is not unlikely that this bank may also be taken over by the State Bank of India. But apart from these considerations, on an examination of the financial position of the bank, I have come to the conclusion that the Travancore Bank would find no difficulty in implementing the Labour Appellate Tribunal decision applicable to C class. In respect of this bank, the exemption granted by the Government modified decision as regards area 5 will not apply. In other words, this bank should implement the Labour Appellate Tribunal decision like the other banks in C class to which I have already referred to in accordance with my relevant recommendation.

307. I will now proceed to deal with the cases of banks which happily have been able to arrive at amicable arrangements with their employees. When the cases of individual banks were considered by the Commission in the presence of banks and their employees, it appeared to me that in the case of some banks it would be desirable to attempt an amicable settlement between the parties. Before the case of an individual bank was called out before the Commission, the figures of the bank and other relevant information had been examined by me in collaboration with the Advisers, and in respect of the banks which are the subject-matter of the present section I felt *prima facie* that there were some special aspects of the problem which would be best solved by amicable settlement. I was conscious that it was not strictly within the terms of my reference to attempt an amicable settlement between the parties. But having regard to the special facts in individual cases I took the view that I should assist the parties as best as I could to understand the nature of the problem and to leave it to them to decide whether they could not arrive at a compromise. As the subsequent discussion would show, in the case of the Indian Bank Ltd., the problem was not one of accommodating the bank so much as to decide when the bank would and should be promoted to A class. In regard to the Bank of Bikaner Ltd. and the Jodhpur Commercial Bank Ltd., the problem was to enable the parties to study objectively the special features of those banks and to give them an opportunity to decide their respective problems amicably. It seems to me that the course adopted by the parties in settling their differences amicably must be commended and I think it is my duty, while I refer to these arrangements with some satisfaction, to thank both the parties for the very reasonable and responsive attitude they adopted in dealing with these cases.

308. I will now refer to the case of the Indian Bank. In the scheme of classification of banks according to their working fund as laid down by the Sastry Tribunal and approved by the Labour Appellate Tribunal, the Indian Bank occupies a peculiar position. It was classified as a B class bank because its working fund was less than Rs. 25 crores which is the lower limit for A class banks. Although the working

fund of B class banks ranges from Rs. 7½ crores to Rs. 25 crores, this bank, compared with the other banks in B class, had resources which were much higher than the next highest bank, but closer to the resources of the smallest A class bank. If, therefore, in classifying banks between A and B class the dividing line was so fixed that banks of comparable capacity to pay fell into their appropriate classes, then the Indian Bank should have been placed in class A by fixing the lower limit for that class at Rs. 20 crores. It is not known why the Sastry Tribunal did not adopt this approach but when it was suggested by employees to the Labour Appellate Tribunal that the bank should be classified in A class by lowering the limit for that class to Rs. 20 crores, it rejected the suggestion on the ground that it saw no reason to disturb the line of demarcation in the classification of banks. At that time the working fund of the bank was much below Rs. 25 crores and it is understandable that the Labour Appellate Tribunal did not want to disturb the classification of banks. As at the end of 1954, however, the working fund of the bank was very close to Rs. 25 crores and, therefore, on grounds of comparability there was greater justification to place this bank in A class than in B class. In fact during the course of the examination of this bank, its representatives admitted that the bank would very shortly move into A class under the provision of paragraph 64 of the Sastry award. In the discussions I had with the representatives of the bank and employees it was suggested that they might come to a mutual agreement in regard to the classification of the bank. My principal object in making this suggestion to the bank and its employees was to avoid, if possible, a future dispute as to the time when the bank should be promoted to A class. When it appeared to me that it would be possible to evolve an arrangement which both parties may regard as satisfactory, I requested the representative of the bank to invite Shri K. Balasubramania Iyer, who is one of the Directors of the Bank, to Bombay to meet me. Accordingly Shri K. Balasubramania Iyer was good enough to come to Bombay and I discussed with him the pros and cons of the contentions raised by employees before me. I told Shri K. Balasubramania Iyer that it would be in the interest of the bank as well as of the employees not to require the Commission to decide the merits of the points raised by employees and that in industrial disputes an amicable settlement is always the best settlement. Fortunately, both the representatives of employees and Shri K. Balasubramania Iyer agreed with my suggestion and the following arrangement received their approval. The terms of arrangement are:—

- “(1) That the Indian Bank Ltd., Madras, should be classed as an A class bank and that the final decision to which Government will arrive after receiving the report from this Commission in regard to matters not covered by this agreement will apply to this bank as an A class bank.
- (2) Effect to this finding should be given prospectively in the manner indicated below.
- (3) The pay and allowances of employees of this bank should be fitted in the scales of A class as from the 1st January—

1956. Other benefits, such as gratuity, provident fund, medical relief, accruing to employees from this status of the bank, including the annual increments, should be given to them from the 1st April 1956."

309. I recommend that this arrangement should be accepted and the parties should be called upon to implement the same.

310. As mentioned earlier, the Commission was of the view that in the case of the Bank of Bikaner and the Jodhpur Commercial Bank the increase in the establishment charges, was likely to be larger than what the banks could bear. It was, therefore, suggested to the banks and their employees, at the time when their cases were examined, that they should explore the possibility of coming to a mutual understanding in regard to the terms and conditions of service of their employees. In the case of both the banks the parties showed awareness of the need for a mutual agreement and the Commission gave all technical help in arriving at one. Satisfactory arrangements were arrived at with the employees by both the banks and I am recommending to Government separately that these agreements be ratified and the terms and conditions agreed enforced.

311. Having dealt with the banks which have arrived at amicable arrangements with their respective employees in the presence of the Commission, it would now be necessary to mention other banks which have independently settled their disputes with employees amicably. The Pandyan Bank of Madurai and the Bharatha Lakshmi Bank of Madras have sent to the Commission duly authenticated records of their respective agreements. The Vysya Bank of Bangalore and the Salem Bank of Salem have duly produced and proved their respective agreements with their employees before the Labour Appellate Tribunal. The cases of these four banks must accordingly be dealt with as cases which have been amicably settled between the parties. The Narang Bank of India of New Delhi alleged in its communication to the Commission that it had also settled its dispute with employees amicably, but did not produce any proof in support of the allegation in question.

312. This takes me to the problem of displaced banks. The present difficulties of the displaced banks, i.e., banks which had to migrate from the West Punjab as a result of Partition, are the direct outcome of the general outbreak of disturbances following the political division of the country. The financial losses suffered by these institutions, the impediments in their way for arranging for the safety of their assets in Pakistan, the obstacles they had to surmount in removing their important records from that country to India and the crippling effect that the post-partition developments had on their working are now common knowledge. It is, therefore, unnecessary for me to recount these difficulties. Twelve displaced banks are members of the Displaced Banks' Association and from among them seven are parties to the present dispute. The Association had pleaded their case before the Sen as well as the Sastry Tribunals. Both these Tribunals had appreciated the magnitude of the problems that these banks were facing and had accordingly

directed that irrespective of the size of their resources, these banks should be required to pay to a new entrant in their service a salary according to the scales prescribed for banks grouped in the lowest class for the purpose of their awards. The concession was, however, limited to a stated period of time and that granted by the Sastry Tribunal expired on the 31st December 1954. The banks appeared to have implemented the Labour Appellate Tribunal decision as modified by Government from the 1st January 1955.

313. The Association as well as those of its members* which are directly connected with the dispute have informed the Commission of their difficulties. The banks have also conveyed through the Association their willingness to implement the provisions of the Sastry award as applicable to D class banks. In this connection they have emphasised that while they recognise the importance of keeping the staff contented, they are not in a position to bear any burden over and above that indicated by them. They have pointed out that the position of the majority of the displaced banks is still be set with difficulties and the working of only three of such banks could be said to be normal.

314. At the time the Sastry Tribunal was deliberating upon the dispute between banks and their employees, all but one** of the seven displaced banks with which I am concerned, were working under schemes of arrangement sanctioned by the Punjab High Court and even the one which did not find it necessary to draw up a scheme for meeting its deposit liabilities had a plan to reduce its share capital to which the shareholders had agreed. I understand that four† of the above seven banks have since been able to complete their respective schemes and are now functioning normally. The other three banks have yet to attain this status. The position of at least some of the displaced banks has thus changed considerably over the past few years and a reassessment of their position, particularly in regard to their capacity to pay, is evidently called for: more so as they have specifically expressed their inability to bear any burden in excess of that imposed by the Sastry award on D class banks. My task in this respect would have become easier had all these institutions submitted the information called for in the questionnaire issued by me. Unfortunately, some of the banks have not done so, while the information given by some others is incomplete or inadequate in many respects. In certain cases even the balance sheets for the years 1948 to 1952 have not been supplied. It is, therefore, not possible to follow in the case of these banks the same mode of determining the paying capacity in future years as indicated in an earlier part of the report. The business of these banks may be expected to increase in near future in keeping with the general rise in the business activity of banks on account of the development of the country. I, however, find an initial difficulty in assessing the position of the displaced banks. Most of these banks

*First National Bank, Lakshmi Commercial Bank, New Bank of India, Oriental Bank of Commerce, Prabhat Bank, Punjab & Kashmir Bank, Traders' Bank.

**Oriental Bank of Commerce.

†Lakshmi Commercial Bank, Oriental Bank of Commerce, New Bank of India, Prabhat Bank.

have been or are working under schemes of arrangement and separate information regarding the Closed and New Funds of some such banks is not readily available. The Statistical Tables issued by the Reserve Bank of India contain information regarding the liabilities and assets of banks as published in their balance sheets, but unfortunately the particulars of the Closed and New Funds of banks working under schemes of arrangement are not shown separately in the Tables. I have, therefore, to proceed on the material that is readily available. The consolidated position of some of the important items of liabilities and assets of the seven displaced banks for the years 1950 to 1953 is given below.

(Amounts in thousands of rupees.)

Year	No. of offices	Paid-up capital	Reserves	Deposits	Net less	Total liabilities or assets	Cash & bank bal- ances	Investments in Govern- ment securi- ties and other invest- ments	Bills & advan- ces
1950	42	1,28,56	2,72,48	4,93,60	15.02	9,74,23	45,95	95.55 (27,29)	7,15,71
1951	40	1,35,98	2,04,00	4,67,45	37.12	8,86,78	53,78	67,16 (17,63)	6,01,16
1952	35	1,21,15	1,62,76	2,30,66	29.93	5,83,47	67,16	44,17 (15,72)	3,48,47
1953	31	83,95	1,43,21	2,07,85	16.90	5,07,37	39,12	46,72 (26,32)	3,30,80

Figures in brackets represent investments in Government securities. Source: Statistical Tables relating to Banks in India.

315. In the interpretation of the above table two factors have to be borne in mind, namely, (i) that the table gives a combined position of the Closed and New Funds of the displaced banks and (ii) that the Closed Fund of these banks is self-liquidating in nature. The declining trend noticed under almost all the items cannot, therefore, be given the same interpretation as in the case of normally functioning banks. The trend merely reflects the effect of a comparatively rapid rate of repayment of liabilities and realisation of assets in the Closed Fund than the accumulation of deposit liabilities and investment of funds in the New Fund. The only indications of the gradual improvement in the position of these banks are found in the substantial decrease in their aggregate loss balances and moderate increase in their investments in Government securities and other investments. Any conclusion that may be drawn in this regard will have thus to be based on the indications that are discernible in the working of these banks over the last few years. This is an unsatisfactory method but as the political and economic conditions are more settled now than in the years immediately following Partition, the trends observed in the working of these banks can reasonably be expected to continue in future.

That the banks have been successful in stabilising their position to a certain extent is also indirectly confirmed by their willingness to implement the Sastry award. I, therefore, feel that ordinarily the seven banks under consideration should not have any difficulty in implementing the decision of the Labour Appellate Tribunal as modified by Government for D class banks. I would, however, recommend that in respect of this class of banks, as in the case of all D class banks, the position should be examined after 5 years from the 1st April, 1954 and the wage structure fixed in the light of the result of such enquiry.

316. The next question which calls for reference has been raised by some banks which allege that they have become one-State banks and as such are not subject to the provisions of **One-State banks** industrial awards pronounced by all-India Tribunals. These banks are: (1) G. Raghunathmull Bank, Hyderabad; (2) Hindu Bank Karur, Karur; (3) Melarkode Bank, Palghat; (4) Sind National Bank, Kalyan, Bombay; and (5) Janjira Bank, Janjira-Murud, Bombay. The first of these claims to have become a one-State bank on the 1st August 1954; the second and third claim to have become one-State banks in 1952, the fourth after Partition in 1947 and the last one in 1953. The plea raised by these banks raises two questions, one of fact and the other of law. While dealing with the plea raised by these banks, it would first be necessary to ascertain definitely whether these banks have in fact become one-State banks as alleged by them. That would be a matter of fact. The second point which will call for consideration in dealing with this plea would be the legal effect of the change of status of these banks. If, at the material time when the awards were pronounced by the Labour Tribunals, these banks were inter-State banks and as such properly joined in the proceedings before the Labour Tribunals, would a subsequent change of their status take them out of the purview of labour awards? The points thus raised in respect of these banks are clearly outside my terms of reference and I would not like to express any opinion on these points. However, since these banks seem to have raised the pleas, it is my duty to put those pleas on record and leave it to the banks and the employees to get the relevant questions decided in accordance with law.

317. I must now deal with the last case of special banks and that is the United Bank of India, Calcutta. This bank came into **The United Bank of India** existence as an amalgamated bank on the 18th December 1950. The Bengal Central Bank changed its name into the United Bank of India and as a result of the amalgamation took over the assets and liabilities of three other banks. The united paid-up capital, reserves and deposits of this amalgamated bank amounted in all to Rs. 30 crores as on the 31st December 1950 and Rs. 33 crores as on the 31st December 1951. Naturally, according to the principles of classification laid down by the Tribunals, this bank would have found itself in A class from the date of its amalgamation. The bank, however, urged before the Tribunals that owing to its special difficulties its problem should be treated separately and it should not be put in to the strait-jacket of a specified class. The bank, in fact, urged that it should

be put in the lowest class of banks if the Tribunals were not inclined to give the bank complete exemption from awards. Both the Tribunals rejected this extravagant claim. The Sastry Tribunal recognised that the bank had some special difficulties to face and so it provided that the bank should continue to be treated as a bank in B class up to the 31st December 1954 and after that date the bank should be promoted to A class and should implement the award applicable to the said class. The Labour Appellate Tribunal took the same view, but gave the bank a further concession by extending the period of its life in B class to the 31st December 1955. The Government modified decision has given the bank complete exemption from the award. Shri B. K. Dutt, General Manager of this bank, who appeared for the bank before me, naturally began his arguments by justifying the grant of complete exemption to his bank and by suggesting that I should recommend that the modification already made by Government should be confirmed.

318. It has been urged before me by this bank that it suffers from several infirmities and has to face several difficulties some of which at any rate are not of its own creation. All the four banks that constituted the United Bank of India after amalgamation suffered immensely from the political upheaval that followed Partition of India. The impact of Partition on the dealings and business of these banks must be fully appreciated when the case of this bank is being considered in reference to the dispute between the bank and its employees. That is the first contention raised by the bank. The second contention which the bank has asked me to consider is that, as a result of the amalgamation, the bank has on its hands a large surplus staff. According to the bank, the presence of this surplus staff has made the task of the bank to implement any award very difficult. It may be that some of the branch offices of the bank are also overlapping, and though this infirmity may be due to the amalgamation, it is still a factor which affects the bank's capacity to implement the award. Thus the difficulties which the bank pleads are the result partly of political factors and partly flow from the amalgamation itself.

319. On the other hand, the employees strongly resist the bank's claim for exemption. They argue that the bank has already been given sufficient concession by the Tribunals and it appears that the bank has not been able to utilise the breathing time afforded by these concessions for improving its affairs. The employees strongly resist the allegation of the bank that there is surplus staff on its hands. Initially the demand made by the employees before me was that the bank should be treated as directed by the Labour Appellate Tribunal and in implementing the award given by the said Tribunal the bank should not be allowed to make any cuts though the said cuts are permitted by the Tribunals.

320. I do not propose to express any opinion on the question as to whether the major difficulties which the bank faces is caused by the presence of a surplus staff on its roll. On this point there appears to be a sharp difference between the bank and its employees and the determination of this point has been expressly referred by Government to another Tribunal. Unfortunately, this Tribunal has not been able to make any progress in its enquiry

and so it is difficult to anticipate what its conclusions would be. In dealing with the case of the bank, I cannot, therefore, assume either that the case for the bank is true or that the contention of the employees is justified. I can only put on record the rival contentions on this point.

321. The difficulties created for the bank by Partition and amalgamation are, however, genuine. There is no doubt that, as a result of Partition, the business of the constituent banks was impaired and it would be easy to imagine that as a result of Partition the load of its doubtful debts may have increased. It would also appear that the act of legal amalgamation which took place in 1950 was only the first step in the process of amalgamation and several steps yet remain to be taken to strengthen the amalgamated bank. If the facts disclosed by the bank are true, then it may be that it would be necessary to close some of its offices which are overlapping and which have proved to be completely uneconomic. Besides, however much one may deplore the manner in which the amalgamation has been brought about, the position of resulting weakness in the structure of the bank must be taken into account in dealing with the problem before me. It may, therefore, be conceded that this bank cannot, merely by the figure of its working funds, be grouped in A class. It presents some difficult problems and they need to be considered carefully and tackled separately.

322. I have, however, no doubt that, whatever may be the nature of the difficulties which the bank has to face, its claim for complete exemption from awards cannot be accepted. I have already indicated in my report that such a claim is totally inconsistent with the concept of a democratic Welfare State and is opposed to the major assumptions on which industrial legislation in a democratic Welfare State always proceeds. Besides, it would be idle to suggest that the nature and magnitude of the difficulties which this bank has to face necessarily leads to the conclusion that the only solution to the problem of this bank lies in granting complete exemption to the bank from any award. This bank no doubt faces some special difficulties but in a sense each bank has its problems and has its own difficulties. In deciding the wage structure and dearness allowance, the difficulties of banks considered class-wise or bank-wise have to be taken into account. But the presence of difficulties cannot, in my opinion, sustain a claim for exemption from industrial adjudication altogether. Giving a particular bank a concessional treatment on the merits may be justified and may even be necessary. But giving complete exemption to a bank would normally be regarded as an act of discrimination and must be avoided.

323. In this connection, it would be relevant to point out that the impression which I have gathered from the awards pronounced by the two Tribunals is that, though the bank began by claiming exemption, it never seriously disputed its ability to bear the burden of the B class wage structure as prescribed by the Sastry award. It is usual in industrial adjudication for parties to overstate their cases at the commencement of the hearing and so the bank may not be blamed if by its lawyer it claimed either complete exemption or asked for its

inclusion in the lowest class of banks. But on the whole the Sastry Tribunal presumably formed the impression that the bank would be able and prepared to bear the burden of the structure of B class which the Tribunal was going to prescribe and so the Tribunal directed the bank to bear the burden of the said structure for the period mentioned in the award. It should be remembered that this decision was given by the Tribunal though it was disposed to accord a concessional treatment to this bank. When the matter went in appeal before the Labour Appellate Tribunal, the attitude adopted by the bank appears to have been that the bank did not seriously contest its ability or willingness to bear the burden of the B class wage structure as prescribed by the Sastry Tribunal; in his statement before me Shri Dutt conceded that at one stage of the proceeding before the Sastry Tribunal the lawyer for his bank had expressly admitted the willingness and ability of the bank to bear the burden of the wage structure which the Tribunal may fix for B class banks. Shri Dutt, however, added that soon thereafter the bank changed its attitude and accordingly put in a purshis before the Tribunal. The Tribunals did not attach importance to the subsequent purshis, but proceeded to act on the admission made by the lawyer of the bank at the earlier stage. It may be that, when the admission was made, the extent of the liability which would result from the wage structure fixed for B class banks may not have been properly appreciated by the bank and to that extent Shri Dutt may be entitled to contend that the case of his bank should not be decided merely on the admission. That, however, is another matter. It is not clear whether the bank had expressly and definitely pleaded its inability to bear the burden even of the Sastry award and had seriously pressed on Government the necessity of granting it complete exemption while it represented its case before Government. However that may be, it seems to me clear that the conduct of the bank before the Tribunals is a relevant factor which cannot be entirely ignored.

324. Apart from the considerations which I have already set out, seems to me that it would not be in the interest of the bank itself

Exemption not in the interest of the bank

that it should be accorded complete exemption from industrial adjudication. In fact the bank has implemented the provisions of the Sen award so far as they are applicable to B class and it would be idle for the bank now to claim that it should be outside industrial adjudication. Exemption such as has been granted to the bank by the Government modified decision, in theory, means that the bank would not be bound to comply with any rules and regulations in respect of the terms of service or other amenities due to the employees. Such a position would naturally disturb the domestic peace of the bank and would not create that feeling of co-operation and loyalty in the minds of employees without which the bank would find it difficult to make rapid progress in future. That is why I feel inclined to take the view that even from the point of view of the bank itself it is desirable that it should be subjected to the provisions of an award.

325. Having decided that the bank was not entitled to complete exemption, the next question which I had naturally to face was what Attempts at negotiation would be the recommendation in respect of this bank. I must confess that I found this question rather difficult to answer. The financial position of the bank un-

doubtedly needed some concessions. But it was not easy to determine the limits within which these concessions should be granted. I, therefore, appealed to the bank and the employees to adopt a reasonable and responsive attitude in dealing with the case of this bank and to evolve a formula which would do relative justice to the claim of employees without exposing the bank to unnecessary risk or jeopardy. Attempts at bringing the parties together for the purpose of evolving an agreed solution to the problem appeared to bear fruit. On the 14th May 1955 the parties met in my chamber and the Commission gave them active assistance in discovering common ground. I asked the bank to give me its proposals showing the maximum that the bank can do for meeting the claim of employees and I appealed to employees to tell me the minimum demands which they wish to press against the bank having regard to the weak position of the bank and its special difficulties. It then appeared to me that the approach adopted by the parties disclosed definite possibilities of bridging their differences and of persuading them ultimately to come to a settlement. The parties then met between themselves and made direct efforts to evolve an agreed solution. Indeed, these negotiations made such satisfactory progress that a draft was prepared and typed. This draft was subsequently discussed by the parties in the presence of the Commission and I got a definite impression that the terms of the draft, on the whole, appeared to be acceptable to both the parties. Acting on this impression, Shri Dutt, the General Manager of the bank, signed the draft and a copy of the draft was given to the representatives of employees to enable them to consult the Union of the Bank employees and their other colleagues. Unfortunately, hopes entertained about an amicable settlement were frustrated by the telegram which the Commission received from employees on the 30th June 1955. This telegram informed the Commission that the United Bank employees had rejected the scheme which had been sent to them with their representatives. Even then I felt that it would be worth while to make one further effort to persuade the parties to come to a settlement and so I requested Shri Dutt and the representatives of employees to meet the Commission at Poona on the 9th July 1955. Both the parties were good enough to accept our invitation to come to Poona and they met us separately. The attitude adopted by some of the representatives of the Bank Employees' Union, however, did not encourage me to take the matter any further. I got the impression from their talk that some of the employees had changed their mind because they were not prepared to consider the original draft even as a basis for further negotiation. They seemed to be determined to adhere to their original claim that the Labour Appellate Tribunal's directions should be implemented by the bank and that too without any cuts. It was clearly impossible to bridge the difference between the ability of the bank to pay and the demand thus put forward by employees before me. That is why with great reluctance I had to give up my efforts to bring about a settlement in this case. Normally, I would not have referred to these details in my report. But in fairness to the bank, I think it is my duty to put on record the fact that an attempt at a settlement was made, that the attempt looked like succeeding at one stage, but that unfortunately it ultimately failed. I must also add that in the enquiry before the Commission Shri Dutt acted very fairly throughout.

326. After it became clear that there was no chance of the case of this bank being amicably settled, I had to go back to the original question on the merits and I realised once again that it would by no means be easy to decide what specific recommendations should be made in respect of this bank. The position of this bank was discussed by the Commission at several sittings and all aspects of the matter were fully taken into account. The Commission tried to give shape to its recommendations in respect of this bank in different ways. The anxiety all the time was not to expose the bank to jeopardy or risk and yet to do justice to the claim made by the employees. In the end, the Commission came to the conclusion that it would be fair and reasonable, all things considered, to make the following recommendations in respect of this bank. The bank should implement the Sastry award applicable to banks of B class with effect from the 1st August 1955 subject to the following conditions:—

Recommendations.

- (1) that the initial additional burden arising from the implementation of the said award should be spread over a period of three years, one-third of the increase in each of the components of the emoluments being paid to the employees year by year during this period;
- (2) that the employees whose salaries and allowances would have to be reduced should have their salaries and allowances adjusted downward during a similar period of three years, the reduction every year being one-third of the difference in salary and allowances they would be drawing for the month of July 1955 and the salary and allowances they would be entitled to under these recommendations as from the 1st August 1955;
- (3) that regular increments in the award scales should be given during this period and where salaries would be reduced such increments would be set off and adjusted towards reduction of the temporary adjustment difference which would become payable to the employees as a result of the implementation of this recommendation;
- (4) that the question of retrenchment which has been referred to another Tribunal should be decided as early as possible and the recommendations of the Tribunal should thereafter be implemented without delay; and
- (5) that at the end of three years, or after the recommendations of the Tribunal appointed to deal with the question of retrenchment are received and implemented, whichever event happens earlier, the financial position of the bank should be considered afresh by a Tribunal appointed in that behalf and the wage structure and dearness allowance should be fixed in the light of the decision of the said Tribunal.

While making these recommendations, I would only like to add that I have given anxious consideration to the problem raised by this bank. I have attempted to consider the implications of my recommendations as carefully as I could and I have come to the conclusion

hat, in the circumstances, the recommendations which I am making offer the best solution to the problem. I can only hope that the bank should make rapid progress in the future and should be able to meet the demands of its employees without incurring any risk. If employees had agreed to the terms of compromise which at one time seemed to be acceptable to both the parties, the necessity for a further examination of the financial position of the bank would have been avoided and the bank, with the co-operation of employees, would have been able to make substantial progress for the proposed period of six years. But negotiations failed and it would be idle to speculate what the position would have been if the negotiations had succeeded.

CHAPTER XI

RECOMMENDATIONS

In the foregoing chapters have been set out the conclusions emerging from the fact-finding enquiry made by the Commission with due regard to its terms of reference. I now proceed to make the following recommendations in the light of the facts ascertained and the conclusions reached:

Subject and reference to relevant paragraph in the report

1. The Labour Appellate Tribunal decision should be restored in the case of the following banks subject to the modifications mentioned below in clauses 1(a) to 1(f). In view of Government's assurance in Parliament, this recommendation should have retrospective effect as from the 1st April 1954.

Labour Appellate Tribunal decision with modifications to be restored in case of A and B classes and specified banks in C class (Paragraphs 272, 279 310 and 326)

A Class.—All banks—Indian and foreign.

B Class.—All banks except the Bank of Bikaner and the United Bank of India.

C Class.—(i) Bank of Behar (ii) Bank of Indore (iii) Bank of Jaipur (iv) Bank of Maharashtra (v) Canara Banking Corporation (vi) Canara Industrial and Banking Syndicate (vii) Hind Bank (viii) Travancore Bank.

(a) The provision for accumulation of medical relief in the Labour Appellate Tribunal decision (paragraph 285) should be dropped; the provisions in the Sastry award in regard to medical relief (paragraphs 450 and 451) should be confirmed.

Medical relief (Paragraph 131)

(b) The provision for the creation of an additional area 4 as per clause 3(a) of the Government modified decision dated the 24th August 1954 together with the wage structure and dearness allowance prescribed for this area should be confirmed.

Area 4 (Paragraph 122)

(i) The creation of a further sub-area under area 4 described as area 5 in this report, which under the Government modified decision dated the 24th August 1954 now enjoys complete exemption from any award should, however, be set aside except in the case of banks incorporated in the Travancore-Cochin State excluding the Travancore Bank.

Area 5 (Paragraphs 163 and 164)

(ii) Banks incorporated in the Travancore-Cochin State except the Travancore Bank should be allowed complete exemption from the operation of any award in respect of their business within the limits of the sub-area as defined above for a maximum period of two years from the date of announcement of the Government's final decision on the Commission's report or until the recommendations of the

Banks incorporated in the Travancore-Cochin State (Paragraph 305)

Subject and reference to relevant paragraph in the report

special Commission referred to below are implemented whichever event happens earlier. In case, however, such a Commission is not appointed or after appointment is unable to make its recommendations within two years or in case its recommendations are received but not implemented within two years, the exemption granted to the branches of these banks in the sub-area referred to above should be withdrawn.

Cuts to be phased with adjustment of increments (Paragraph 121)

(c) Clause 3(g) in the Government modified decision should be confirmed and applied to Government modified or Labour Appellate Tribunal decision, as the case may be, save that in making deductions in three instalments as contemplated by the said provision banks should be entitled to adjust the increments due to employees against the temporary adjustment difference payable to them. This clause should have retrospective effect from the 1st April 1954, the first cut falling due on the 1st April 1955. However, in giving effect to this changed provision, employees should not be required to refund any amount already received by them as a result of clause 3(g) of Government modified decision dated the 24th August 1954.

Payment of arrears for 1954-55 to be spread over three accounting years (Paragraph 126)

(d) With a view to affording some relief to banks from the initial impact of the retrospective implementation of the Labour Appellate Tribunal decision, the implementation of the aforesaid first impact should be phased over three accounting years in such a manner that 40 per cent. of the additional emoluments due to employees in 1954-55 (April to March) will be payable by the 31st December 1955, 30 per cent. by the 30th June 1956 and the balance of 30 per cent. by the 31st January 1957. This will, however, be subject to the condition that in case during this period the services of any of the employees concerned are terminated by way of dismissal or discharging or in other ways, or in case an employee retires or leaves his employment for any reason whatever or dies, the total dues that would have become payable to him at the time the final decision of Government on my recommendations came into force inclusive of all benefits should be paid to him or his assignee forthwith.

Adjustment of dearness allowance (Paragraph 105)

(e) The following formulae should be adopted for adjustment of the dearness allowance for variations in the cost of living index for clerical and subordinate staff respectively in lieu of the provision in the Labour Appellate Tribunal decision (paragraph 105):

Clerical staff.—If the average all-India cost of living index for the half year ending June or December of any year should rise or fall by more than 10 points as compared to 144 (1944—100), the dearness allowance for the succeeding half year will be raised or lowered by one-seventh of dearness allowance admissible at the index level of 144 for each variation of 10 points.

Subordinate staff.—If the average all-India cost of living index for the half year ending June or December of any year should rise or fall by more than 10 points as compared to 144 (1944—100), the dearness allowance for the succeeding half year will be raised or lowered by one-tenth of the dearness allowance admissible at the index level of 144 for each variation of 10 points.

(f) The provision made in the Labour Appellate Tribunal decision (paragraph 164) in regard to fitting employees in the new wage structure should be confirmed only in the case of A class banks. In the case of B, C and D classes of banks, the corresponding provision in the Sastry Award [paragraph 292 (4) (b)] which has been upheld in the Government modified decision dated the 24th August 1954, should be applied.

2. As regard C class banks other than those mentioned in clauses 1, 6 and 7, and D class banks other than those in clause 7, the Government modified decision dated the 24th August 1954 should operate subject to the modifications mentioned in clauses 1(a), 1(b), 1(c) and 1(e). Displaced banks and banks incorporated in the Travancore-Cochin State excluding the Travancore Bank should likewise implement the Government modified decision subject to the aforesaid modifications.

(i) In the case of D class banks, including displaced banks but excluding D class banks incorporated in the Travancore-Cochin State the provision made in the Labour Appellate Tribunal decision (paragraph 109) that as from the 1st April 1959 they should automatically step into the C class should be set aside and in its place a provision added that the position of these banks as at the end of March 1959 will be examined afresh in order to arrive at a decision as to their promotion or otherwise to C class.

(ii) In case a Commission is not appointed for banks incorporated in the Travancore-Cochin State as recommended, the recommendation made in clause 2(i) in respect of D class banks will apply to D class banks in the Travancore-Cochin State also.

3. Employees should be entitled to the right of option to the existing terms of service as confirmed by the Labour Appellate Tribunal decision but the period for such option mentioned in that decision (paragraph 393) should as a consequence of my recommendations, be refixed and extended to three months from the date of pronouncement of the Government's final decision on my report. Where employees of any bank have already exercised their option on the assumption that the Government modified decision has come to stay, such option should be allowed to be revised and another opportunity given to employees

Adjustment of employees in the new wage structure (Paragraph 113)

Government modified decision dated the 24th August 1954 to continue in case of banks specified (Paragraphs 280, 282 and 304)

Position of D class banks including displaced banks to be reviewed in 1959 (Paragraphs 282, 305 and 315)

Provision as to D class banks in the Travancore-Cochin State (Paragraph 305)

Time for exercising right of option to be refixed (Paragraph 132)

Subject and reference to relevant paragraph in the report

to opt either for the final decision of Government on my report or for the terms offered by the individual banks.

Dues for the current year to be settled on or before the 31st December 1955 (Paragraph 126)

4. Payment of emoluments to bank employees for the current year according to Government's final decision on my recommendations should be settled by the 31st December 1955.

Promotion of the Indian Bank to A class (Paragraphs 308 and 309)

5. The agreement entered into between the Indian Bank and its employees' representatives, in regard to its promotion from B class to A class as from the 1st January 1956 should be approved and enforced.

Agreements before the Commission (Paragraph 310)

6. In respect of the following banks which entered into agreements with employees' representatives before this Commission, the decision should be in terms of the agreements forwarded to Government.

(a) Bank of Bikaner.

(b) Jodhpur Commercial Bank.

Other agreements (Paragraph 311)

7. The following banks have independently entered into agreements with their employees as to the pay scales and other conditions of service applicable to them:

(i) Salem Bank.

(ii) Vysya Bank.

(iii) Bharatha Lakshmi Bank.

(iv) Pandyan Bank.

The agreements of the first two banks have been recorded by the Labour Appellate Tribunal. The last two banks have sent to this Commission authenticated copies of agreements signed by them and their employees. These agreements should also be approved and enforced.

The United Bank of India (Paragraph 326)

8. The United Bank of India should implement the Sastry award applicable to banks in B class with effect from the 1st August 1955 subject to the following conditions:

(i) the initial additional burden arising from the implementation of the said award should be spread over a period of three years, one-third of the increase in each of the components of the monthly emoluments being paid to the employees year by year during this period;

(ii) the employees whose monthly emoluments would be reduced should have their emoluments adjusted downward during a similar period of three years, the reduction every year being one-third of the difference in their emoluments for the month of July 1955 and the emoluments they would be entitled to under the above provisions as from the 1st August 1955;

Subject and reference to relevant paragraph in the report

- (iii) the employees should be entitled to regular increments in the award scales during the above period and where salaries would be reduced such increments should be adjusted towards reduction in the temporary adjustment difference which would become payable to the employees as a result of the implementation of the above recommendation;
- (iv) the Tribunal to which the question of retrenchment of staff has been referred should be requested to decide the said question as early as possible and the recommendations of the Tribunal when received should be implemented without delay; and
- (v) at the end of three years or after the recommendations of the Tribunal appointed to deal with the question of retrenchment of staff are received and implemented, whichever event happens earlier, the financial position of the bank should be considered afresh by a Tribunal appointed in that behalf and the wage structure and allowances should be fixed in the light of the decision of the said Tribunal.

9. In view of the special problem of banking in the Travancore-Cochin State, Government should, as soon as may be expedient, appoint a Commission with wide powers to examine the financial position of banks incorporated in that State in relation to its economy, suggest measures for their integration and make recommendations in regard to the terms and conditions of service of their employees.

Banks incorporated in the Travancore-Cochin State—Commission to be appointed (Paragraph 205)

(Sd.) P. B. GAJENDRAGADKAR,

Chairman.

Bombay, the 25th July, 1955.

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